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PANEL: *James Hodge – Chairperson*
And Doris Tshepe

TECHNICAL TEAM

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COMPANY: GOOGLE SEARCH, GOOGLE TRAVEL, GOOGLE SHOPPING

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PROCEEDINGS RESUMES

CHAIRPERSON: Welcome to the evening session on day 3 of the public hearings into the Online Platforms Market Inquiry. This evening as I am sure you can see, we have Google. We will be talking about search and then travel and shopping vertically as well. So, Agnieszka if you want to briefly introduce your team and then we can proceed with the presentation.

If I can ask just there is a lot tonight, if we can keep the presentation to maximum 45 minutes and then in our question and answers we can just try keep the answers to the point and short if that would help. So over to you Agnieszka.

MS MOLDACH: Thank you, Mr Chairperson and good afternoon. It is great to see you again and thank you for this opportunity. My name is Agnieszka Moldach and I am Competition Legal Specialist at Google. Today we have arranged for a number of Google product experts and team members covering South African operations in order to assist the inquiry and address issues which the Commission has asked us to address.

If we cannot answer some of your questions immediately, for example if we do not have the right team members, we will happily follow up with you as already discussed yesterday. Same applies for confidential information if we are unable to discuss in the public forum. Google speakers, we have with us today are Charles Murito, Director of Government Affairs and Public Policy team for Sub-Saharan Africa.

Abongile Mashele, Senior Manager of the Government Affairs and Public Policy team for Sub-Saharan Africa. Alistair Mokoena, Country Director of South Africa. David Price, Legal Director for Search. Dan Kane, Senior Product Counsel for Search. Adam Crider, Associate Product Counsel for Shopping and Abby Pringle, Product Counsel for Travel.

As of yesterday we are joined also by Slaughter and May and Vaskin and RBB Economics. As part of the purpose of the public hearing is to provide information and explanations to the public, our representation will offer some of that about how our services operate and address those issues the Commission has raised.

We hope that the Commission finds our presentation informative and we are happy to answer any questions afterwards. So with that short introduction I will hand over to my colleague Dan to start the presentation. Thank you.

<u>MR KANE</u>: Can everyone hear me okay?

<u>CHAIRPERSON</u>: We can hear you now.

<u>MR KANE</u>: Perfect. Good afternoon, good evening to the panel. As Agnieszka mentioned my name is Dan Kane and I

am Senior Counsel at Google. I am here today to speak with you about Google Search. So to briefly give some background and context, Google Search is a platform that enables users to search for information on the web. Here in the United States that is at Google.com. In South Africa it is at Google.co.za.

The search experience has evolved over the years as we will discuss in a bit, but fundamentally consists of two main elements. First organic unpaid results they ranked algorithmically according to search principles, and second paid advertisements that are ranked separately by the ads auction. Organic searches also range based on what we think is useful and relevant to the user based on their search enquiry.

Our algorithm will consider a number of different elements when making this assessment. Though at a high level please move down to the following bullet points. User intent, relevance, usefulness and usability of the index web pages and when available, context from users activity on Google such as their location or their prior search history.

Importantly these results are not based on any commercial relationship that we may have with third parties that advertise on Google. So as you can see from this slide, the search engine results base may show both search ads and organic search results. On a desktop computer we may show ads in the centre top, at the bottom and on the right hand side of the page. This is what we consider to be the ad space.

Now just because we may show ads in these spaces does not mean that we always will. For example over the last 4 years, approximately 80 percent of searches on Google have not had any ads on the top slot on the search results page. When we show ads, we do so because we believe that they are both relevant to the users enquiry and useful to the users journey.

Advertisers must understand the interest of their customers and as a result they are able to customise their ad experiences. For example by suggesting specific pictures used in the ad or sales lists to be included that they know will be relevant to a person with buying intent. Now it is important to note that we limit the amount of vertical space that can be monetised.

This means that the search results page will always have space available for organic results to appear. And at Google we also clearly distinguish between ads and organic results which we will discuss more in more detail later in the presentation. Now I want to take a second to talk about the importance of separating organic search and paid advertising. We take this very, very seriously.

The fact that there are third party advertisers on

Google, does not influence their ranking in organic search. And to ensure that all teams within the company as well as our advertising partners outside of it understand this, we have enshrined the honest results policy that you see on this slide. Again, I cannot over-emphasise how important this is to us.

We want users to understand what counts on Google as an organic search result and when it is an ad. That is why the searches on this page you will see blue links without a label, these are organic results. All ads and sponsored links will be labelled as such. How we label ads has evolved over time. At first the search result page had a block that shows ad labelling with the entire block being background shaded.

Now we take a more badge approach where each ad is clearly labelled as an ad or sponsored. We think that the badge approach makes it even easier for users to understand when a result is a paid result and when it is organic. Now anyone that has been using Google over the last 20 years knows the search result page has changed over time.

Like other search engines we began by showing plain blue links that led to pages upon the web. We also showed plain text ads. Our results then as they are now, were generated by crawling web pages, creating an index of those sites and ranking them based on information that we understood about them. As users expectations for search has evolved, we have made changes to the search engine result page to match those needs.

In the 2000's we realised that some search queries were looking for more narrowly target information in specific areas and that generic results and text ads are not the best results for our users. So we along with others in the industry, made investments to provide more relevant search and search advertising products.

In organic search we develop specialised search results for certain information categories such as consumer goods, hotels and flights. My colleagues Adam and Abby will discuss these features as well as changes that we have made to our ads products later in the presentation. The evolution of the search results page is due to the continuation work and finetuning that we need to made to the algorithms that power Google Search.

Even after 20 years plus of operations, we still make thousands of algorithm changes every year. In 2019 for example, we made more than 35 hundred updates in Search. The overall size and impact of each of these algorithm updates varies, but the ultimate purpose is always the same. To improve the quality and usefulness of search for our users.

The practical effect of these changes is that websites may see their position move up or down in the search results page but if the website quality score decreases for example, they may move down on the page if the update is focussed on quality. As we are doing already, we do not consider our commercial partnerships when making these algorithm changes and whether a third party is an advertiser on Google, does not influence how they rank on the search results page.

Importantly we are transparent about these changes. The Google search engine blog attends thousands of blogs on the operation of our algorithms. And given the sheer number of algorithm changes we make each year, it will be impractical to announce all of them but the Google blog will include announcements for all of the major changes.

Now, deciding what results to show and which user is not a simple task. Often our algorithm has to assess thousands or even millions of relevant web pages, images and videos for them to find the most useful material. Our algorithms then need to give different types of results for example text web page versus image, versus travel unit, and decide what result will be most relevant and useful to the users query.

We understand that our users come to Google because they expect to find the most relevant information or response to their queries. And to satisfy that expectation we have and we will continue to invest heavily to address these ranking charges to ensure our results continue to meet our users needs. With that said, I will now hand it over to Adam Crider who will provide some more information about our search advertising products as well as our shopping products.

<u>MR CRIDER</u>: Thank you, Dan. As Agnieszka mentioned, I am a product counsel on the search ads team and primarily cover shopping. I am going to speak about the search ads auction or shopping product this morning. As a starting point, it is important to understand the vast majority of searches do not return any ads at all and as Dan mentioned earlier, on average 80 percent of queries return no ads at the top of the page.

This is because either the query is not targeted by advertisers because they did not bid on the key words related to the query or the ads targeted at the query are not sufficiently relevant to the query to meet our quality thresholds and therefore we do not display them. Moreover, our systems are not designed to show an ad if there are no relevant ads for the search query.

For example on a non-commercial query like South Africa local Government elections, nor will we display irrelevant advertisements even if advertisers bid on key words. That said, Google ads are useful way for advertisers including small and medium sized enterprises to promote their business to consumers by buying ad space.

This is especially the case for SME’s who do not necessarily have the resources to pay for more traditional mass advertising like billboards. And parallel to the developments in organic search that Dan explained, we develop specialised ad formats to help advertisers promote their product offers in a way that surface more useful information to users, thereby enhancing the user’s search experience and making the platform more effective for our advertisers.

First in 2008, we introduced a design for richer text ads for merchant product offers. This allowed users to expand the text ad to see individual offers from a particular merchant with pictures and prices. Later we developed product ads. These are specifically tailored to promoting product offers directly within he ad giving advertisers an alternative to text ads which allowed for display of pictures and prices directly on the search results page without requiring the user to expand the ad.

As mentioned, most queries show no ads but for illustration here is an example on the slide of the search results page today in response to a query for running shoes that generated a number of ads. Currently we show a maximum of eight text ads on a search results page. Up to four text ads can appear above organic search results and up to fir can appear at the bottom of the page on any search query.

You can see that this query has only generated two text ads at the top, and one text ad at the bottom of the page. Especially the ad experiences like shopping ads can appear at the top of the page as a carousel or in the right hand side grid on desktop, or as a carousel on top of mobile devices. There is a maximum amount of space on the page reserved for showing ads.

In other words, the space available for organic results is not impacted by the number of ads that show. The Commission has asked us about ad impressions showing on search results pages 2 through 5. We provide highly relevant results which generally appear on the first result – excuse me the first page of the search results. And this relevance is approved over time.

If a high proportion in users remain on the first search results page , this is a signal of the quality and usefulness of our search results for our users. When a search does return ads, Google ads determines the order in which search ads appear by – excuse me, search ads appear by calculating each ad’s ad rank. We calculate ad rank for each search ad request.

Ad rank does not depend on bid alone, rather ad rank takes into account an advertisers bid and the added quality, how useful the ad is for the user. To determine the auction time quality components, we look at a number of different factors including the ad's expected click through rate, the relevance of the ads that the users search and the quality of the ad created and the advertiser's landing page.

The higher the quality ad, the lower the bid necessary to attain a given ad rank. In fact, the highest bidder will also not necessarily be the highest ranked ad. A higher quality ad with a lower bid can outrank a higher bid with a lower quality ad. In this case the higher quality ad with the lower bid will be displayed first.

Moreover, ads that does not meet our baseline quality thresholds, will not be eligible to run regardless of their bid amount. I am going to transition now to our shopping results and products. If a user searches for a certain retail product to query, our search engine results page will display organic search results along with any relevant ads, including ads in the shopping unit, identified through the ads badge or the ads label.

Text ads typically appear below the shopping unit which we launched in South Africa in 2017 and organic results appear below the text ads. We allocated a certain amount of space to ads whether shopping or text ads and so they will always be space on the search engine results page for organic results. In other words, the shopping unit is displayed in the space that will otherwise be used for text ads, but therefore is not reduced space.

Sorry, am I cutting out I apologise.

CHAIRPERSON: I think of your colleagues can put their mic's off then you are would not get the feedback. Go ahead.

MR CRIDER: My apologies. Ja, I can hear just fine, sorry. Okay, I will jump right back in here. I think what I said, the point I was trying to make is that the shopping unit is displayed in the space that would otherwise be used for text ads so it does not reduce the space allocated for organic results. Ads in the shopping unit link directly to the retailers offering the relevant products, not to Google shopping.

In addition to the shopping unto to Google.com we launched the shopping property in South Africa in late 2017. The shopping property is accessible to the shopping tab or via the view more link at the end of the shopping unit carousel on Google.com. On the shopping property we display both free listings and paid results labelled as ads.

Free listings are ranked based on relevance including based on a user's search terms and other Google activity. These unpaid results on a shopping property are selected from merchant centre feeds, from retailers with a merchant centre account that have opted into our free listings program. We are not compensated for clicks on these results.

In the case of ads advertiser payments to Google may also influence how items are ranked and grouped and we are compensated for clicks on the ads. To participate in shopping ads, retailers need to create and link a merchant centre account to their Google ads account and create a shopping campaign in Google ads.

Prior to 2020 all offers on the shopping property were paid ads. In 2020 we launched free listing in South Africa and around the world to give more merchants the ability to get on Google without participating in ads. We will cover free listings in more detail later in the presentation. Google shopping benefits both consumers and business users.

On the consumer side, Google shopping allows consumers to quickly search thousands of stores and millions of products and compare prices and places to buy both online and in store. We provide consumers with links directly to relevant merchants, no transactions are completed on Google. Instead users are directed to a buy page on a merchant's website to engage directly with them including for the purposes of purchasing the product that they are interested in.

There are also significant benefits to business users.

Merchants benefit from the opportunity to be discovered by consumers looking for their products on the shopping platform, whether they participate and free listings, ads or both. And merchants choose to participate in ads, set the price they are willing to pay for each click on their ads, and their charge on the cost for click basis.

Retailers that do not use Google shopping also have an opportunity to have their products discovered on Google, including on the Google search results page. A retailer market place, e-commerce platform or price comparison service can set-up a Google ads campaign which allows them to bid to show text ads.

Smaller business are not disadvantaged here because as I discussed earlier, bid amounts is just one of the factors considered in ad placement with other factors such as ad quality and relevance, being crucial considerations. These businesses may also appear in the organic search results on Google.com as long as their websites are discoverable by our web crawlers, and if our search algorithms identify the website as being relevant to the user's search.

As mentioned, the shopping unit only appears only in the space reserved for ads and therefore does not take space dedicated for organic results. Finally, Google shopping ...[indistinct – 18:43]

<u>MR CRIDER</u>: ...[Incomplete] avoid such bias by ranking free

listings based on relevance to the user's query and ads based on relevance and auction outcomes. Our algorithms are applied consistently and objectively with the aim of identifying the most relevant results for users. This benefits business users as well as it creates opportunities for both big and small retailers.

Lastly I would like to touch on our shopping policies which are designed to protect users from harmful ads like for counterfeit goods. Merchants are informed of our shopping policies when they sign up for a merchant centre account and these policies are available in our external hub centre pages. The policies made clear what merchants need to do to comply and the steps we will take for merchants who do not comply, including the circumstances on which their accounts may be suspended for violating our policies.

And we have detailed procedures in place to apply these policies consistently. Merchant centre accounts are reviewed regularly for policy compliance. If it is found that a merchant's products or website are not in compliance with out shopping policies, the merchant will receive a warning email with more details about the issue, information on how to fix it, and a timeframe in which to fix the issues.

During the warning period the merchant will continue to be able to show his products through shopping ads in free listings in most cases. Merchants which have had their accounts suspended due to non-compliance can appeal and ask for their account to be reviewed for re-listing. Alistair Mokoena will now be giving more information about Google Shopping from a South African context and regarding some of our South African focused initiatives.

MR MOKOENA: Thanks very much, Adam. Good afternoon to the panel. e-Commerce platforms including price comparison services are helpful because they provide users with product search and comparison functionality. Google Shopping is just one of a large number of e-Commerce providers in South Africa. Despite different business models these platforms all compete vigorously for user attention and relationships with retailers.

For example, a number of important brick and mortar retailers have good online offerings and compete vigorously with other providers. These retailers such as Woolworths and Pick n Pay benefit from brand recognition as well as customer loyalty. There are a number of large e-Commerce platforms in South Africa like Takealot and Zando. Amazon is also becoming an important e-Commerce platform in this country.

It should be noted that competition among online platforms cannot be viewed in a vacuum. In fact more South Africans still shop in person and this means online platforms face competition from physical operations of brick and mortar retailers which often have high expend and revenues. It is important to us that in every country where we operate, the developers and business users that interact with our products have opportunity to succeed and actually grow their business.

In addition to Google for small business which provide free guidance on setting up a Google business profile, we also have Google for start-ups accelerator program which is a three month accelerator program for tech start-ups across the continent. This scheme provides mentorship, technical project support and workshops focused on a number of issues including product design, customer acquisition as well as leadership development.

We have also taken action to support the economic development of SME's and entrepreneurs in South Africa. We have helped 45 thousand SME's, established an online presence over the last 12 months and we are also offering 40 thousand developer scholarships to beginner and intermediate developers across Africa this year.

We are also keen to provide specific tailored support to historically marginalised groups. We provided a grant of R7.5 million to the YES foundation which has enable 165 young black South Africans to take part in a year long work placement program. We have also spend R750 thousand in community grants which was provided to Ford Africa and this was in aid of distributing Educare packs to children who were forced out of education due to Covid.

And we have also donated R900 thousand to Proud of Africa in the form of a community grant which is to support the LGBTD Plus community through the pandemic. And in October 2021 our global CEO Sundar Pichai announced a $1 billion program on investment in Africa over the next 5 years to support a range of initiatives which we spoke about yesterday.

I would now like to introduce you to a black female owned business called Native Child. Native Child is a natural hair and body care brand which was created for the underserved needs of women of colour and the owner is Sonto. She is passionate about both hair and health. She develops and locally manufactures a natural based hair care system specifically formulated for the needs of afro, kinky ethnic type hair.

Google, namely Google My Business as well as Google ads, has helped her grow her business globally and she now employs 14 people and I would like to take you through the video shortly.

[VIDEO BEING PLAYED]

MR MOKOENA: Onto free listings on Google shopping. Since the launch of our free listings, the Google shopping tab now consists primarily of free listings which helps merchants better connect with consumers regardless of whether they advertise on Google or not. Retailers are able to segment traffic from free listings and merchant centre to get further granularity in click reporting, enabling them to provide a high quality feed which improves user's experience because of its relevance.

Free listings gives retailers including SME's the opportunity of being exposed to people who come to Google shopping every day. Shoppers ca make purchases from free listings via checkout on retailer's websites or at their local stores by including store front information. Now many people do shopping related searches on Google each day, by participating in free product listings, retailers products offers may be eligible to show across different Google surfaces like the shopping tab, Google search, Google images, Google maps as well as Google lens.

Free listings vary based on date requirements. For example, in Hans links – sorry, for example enhanced listings on the shopping tab require more product data and require retailers to comply with both policies for free listings and shopping ads. Retailers can show their products in free listings on the shopping tab, by opting in their products. SME's in particular benefit from increased clicks as a result of these free listings.

And as we have already mentioned, Google ads can also provide SME's with another way to reach consumers to promote and sell their brands. Using Google ads, provides an efficient way to improve discoverability and this can particularly be beneficial for SME's who very often lack the resources to pay for other forms of mass advertising. With that, I would like to hand over to Slaughter and May who will provide a short overview of the European Commission's shopping decision.

MS TAYLOR: Hi, I am Isabel, I am one of the Legal Team. I am actually one of the Legal team that is working with Google in relation to this process rather than the Shopping process but we wanted to say a few words because I think you indicated you were interested in other regulatory processes and the EC Shopping case was specifically mentioned in the statement of issues.

The effect of that case is that you know the shopping unit as it is used within the EU, enables comparison shopping set-ups just to bid place product tabs in the shopping unit. I am sure you are aware that decision is under appeal so, there is a limit to what we can say particularly in terms of the detailed reasoning on the case.

But I think the point be the thought worth brining out was that the EC case and the EC remedy to the extent that that is something people are looking at tells me it needs to be seen in a specific context of the EU markets that were under review. That is the point the Commission has made itself and they also made the point that you know even within the EU, different types of specialised search would have different characteristics and would need to be considered individually.

That approach and we are thinking it is consistent with the experience we have had in other jurisdictions that have looked at Google Shopping, so for example the US, Brazil and Canada looked at similar issues to the EC but did not find the same concerns in their jurisdiction that the EC identified. In terms of the South Africa specific context, the point we thought was worth bringing out is that we think there are material differences in market conditions compared to the EU.

In particular and this may be because of differences in the timing of our launch shopping taking off, you know our understanding is there is much less use of product search aggregated, who are the main focus of the EC momently within South Africa you know, as compared to market places and use of online purchases directly.

I am sure this is a topic we will come back to if it is of interest so I am going to stop there in the interest of time and hand over to Abby Pringle who is going to be giving the panel an overview on Google Travel.

MS PRINGLE: Thanks very much. Apologies, I have just lost my slides, there we go. My name is Abby Pringle and I am a product counsellor covering Travel at Google. Travel planning is complex, expensive and time consuming. Google's Travel products are intended to help users research and plan travel by organising complex information in a way that allows users to make fast effortless decisions with confidence.

Today I will focus on Google's flight and hotel products which help users find ways to get to their destination and fun places to stay when they arrive. In the case of both flights and hotels, Google acts as an aggregator or a meta search engine. Google is not an OTA and does not sell plane tickets or hotel rooms, but rather displays prices and booking links provided to us by third parties.

Google flights aggregates schedule, price and availability information from hundreds of airlines and online travel agents, or OTA's to provide users with a comprehensive view of their flight options. Once a consumer select a preferred itinerary, Google displays link to purchase the itinerary through the airlines and / or OTA's that we know can sell that ticket.

Information displayed on flights is licenced to our third party partners, but flights is a fully organic experience. No airline or OTA pays Google to appear in the product, nor does any commercial relationship influence ranking. Both flight results and booking links are ranked by relevance according to objective principles.

Google's hotel search offering seeks to provide comprehensive and reliable information to help users make informed choices about where to stay and how to purchase a room. Hotel search results include detailed information about each property, including a link to hotel website and other contact information, photos, amenities, location and neighbourhood descriptions, directions and user reviews.

These results may also include price and available information. Google gets information about hotels from a variety of sources including from hotel owners who claim the business via Google My Business, a free service that allows business owners to provide and update information to improve their presence on Google.

We also licenced data directly from hotel industry partners like hotel owners, OTA's, meta search engines and other industry intermediaries. Google offers our hotel partners two ways to display prices and booking links to Google users on the hotel property. The first is free booking links which as the name suggest, are unpaid and ranked organically. And paid booking links or hotel ads which let partners bid in Google's ad auctions to promote their booking links.

We will look at this at how these appear a bit later but all paid placements on hotel search are indicated by an ad label, the same one used to cross Google properties. This slight is simply to highlight some key points about ranking on Google's Travel properties. First as noted, results shown to users on Google flights are entirely organic.

There are no ads and there is no payment to participate on a flights product at all. Flight results are objectively ranked based on their relevance to the user query. Third parties cannot pay to appear in organic results or pay to influence where they are ranked in those results. The hotels property include both organic results and paid ads.

When the user searches for a hotel, Google will return a list of organically ranked hotels responsive to the user's query. Users may see up to two paid ads at the top of that list results which will be indicated by the ad badge and the identity of the advertiser. Once a user selects a specific hotel, she may see a combination of paid and unpaid links to book a room in that hotel.

To demonstrate the principles we have discussed so far I thought it would be useful to walk through a user's travel search journey starting with a search on Google.com. I will highlight a hotel search in this discussion but I am happy to address questions about the flight search journey as well. Here appreciating this is rather small, the user searched for hotels in Cape Town.

The search results page contains text ads at the top of the page indicated by the ad label, followed by organic results. In this case the organic results includes the hotel's unit and several blue links – usually about 10 on the first page. The hotel's unit contains the top hotels that match the user's query ranked organically by relevance.

The unit appears when Google's algorithms determine that it is relevant and helpful to respond to the user query and it is ranked by those algorithms as well. As my colleague explained earlier our search algorithms compare not only different websites, but also different types of results including units like this one. For some queries, the unit is highly relevant and useful and the unit ranks high among organic results. However, the majority of the page remains open for the display of other search results.

Before we continue on our hotel search journey, I will note here that the experience on the search results page is very similar for a user for a user searching for flights. The flights unit is also an organic unit and may appear when our algorithms determine it is responsive and helpful to the user's query. The unit is also ranked organically by our algorithms.

Flights results in the units are – flights results shown in unit are relevant to the query and are sorted by price. As with the hold of flights, there is no payment to appear in the unit. There may be significant variation in the size of the flights unit as well. For example if I search for flights on a common route like New York to London, I might see about 15 different flight options which makes the unit rather or a less common route may show only a few options or none at all. However, the size of the unit does not impact the number of other blue links that appear on the search results page.

We are turning to our user searching for hotels in Cape Town. If the user clicks on the hotels unit, she will arrive on the hotels property or what we sometimes call the hotel search enlisters. By clicking onto Google's property however, the user will still be presented with many opportunities to engage with other travel providers who are both paid and unpaid and organic content.

When she arrives, she will see a list of hotels responsive to her original query alongside a map showing the location of the hotels in the list. Hotel search results are ranked by an algorithm that takes dozens of factors into account, including the hotel's location, price, user ratings and reviews, and many other factors. Users have a number of options to filter a resort these results.

There is no payment to Google to appear in these results, not does a relationship with Google impact on hotels appearance in the rankings. Indeed, any hotel that Google knows to exist in the world can appear. The first page of results can show up to 14 organic results assuming at least 14 hotels are relevant to the query. At the top of that first page, maybe up to two paid ads.

This is a type of hotel ad called a property promotion ad as it allows advertisers to promote a particular property to users looking for hotels in that area. These ads are indicated by the ad label and the identity of the advertiser is next to the label. The ads are ranked according to Google's ad auction and have no influence on the organic results below.

When a Google user clicks on a specific hotel, she will arrive on that hotel's play sheet or she can find detailed information about the hotel, including a link to the hotel's website and other contact information, photo's, user reviews and amenities. She may also find options to book rooms in the hotel if they are available.

As mentioned, hotel owners can use Google My Business to ensure that the information on this page is up to date, uplaid photos, respond to user reviews, and generally manage their presence on Google. Indeed even including of website link and phone number can dramatically improve a hotel's presence on Google.

The next opportunity for partner participation is displaying booking links on the hotel's play sheet. On this slide we can see the overview tab for the hotel which shows two sets of booking links. The first section indicated by ads featured options in the red square - rectangle are a type of hotel ad called booking link ads. Advertisers bid to appear in these slots which are ranked by Google ad auction according to their ad rank which as my colleague explained, is a combination of bid and ad quality.

Below indicated by all options are free booking links. There is no payment to participate and these links are ranked by relevance. Free booking links offer the opportunity for entities of any size that can sell rooms in this hotel to provide price and availability information to date to Google and direct free highly qualified traffic to their booking site.

To ensure that we are showing accurate information to our users and that they have a positive booking experience, hotel partners that participate in booking links, must comply with the series of policies that govern price accuracy, the inclusion of all mandatory taxes and fees and the referral or landing page experience.

This overview tab shows a sample of all available booking links but if the user clicks on view more options at the bottom of this tab or navigates to the prices tab at the top of the page, she will see as many free booking links as we have available. In this particular example there are 14 different booking link choices., Paid ads remain limited to the four slots that we see here.

At this point the next step in the user's journey depends on what they came to Google to achieve. In most cases users leave the play sheet through an organic click such as clicking directly on the hotel's website. Users may leave early on our exploration process and simply interested in learning more about hotels in the area or this hotel in particular.

But if the user is ready to book, clicking on any booking link free or pad, will take her directly to the partner's website to complete her transaction. In short Google provides an umbrella of opportunities for other travel providers to participate in hotel search and ads offering rich information and choice to users and supporting a healthy travel eco system.

Now that I have covered the travel user journey at a high level, I will hand over to Alistair to give you an overview of Travel in South Africa.

<u>MR MOKOENA</u>: Thanks, Abby. So users can look for flights and accommodation through a number of different platforms such as online travel agents. MSE's and hotel and flight providers or a combination of these platforms. These all offer consumers ways to search for and book a particular accommodation or flight option.

Looking at South African consumers in particular they have a diverse range of platforms to choose from when booking holidays. As shown on this slide, this includes domestic platforms like Travelstart, Travelcheck as well as international platforms like Booking.com, Airbnb and TripAdvisor. Compared with some of these more established providers, Google has relatively limited consumer usage as it is fairly new to this area.

In South African travel aggregators are steadily growing in popularity at Travel.co.za which described itself at South Africa’s largest holiday website for example. An important point to make is that Google does not sell hotel rooms or flights itself. It links users to OTA’s or MSE’s or directly to the accommodation of flight providers. As we do not have our own booking platforms, we are unable to participate in booking links or promote our own travel products.

So looking at the support that we provide SME’s and tourism, I would like to tell a little bit more about what we do in this space. Local businesses can use Google to promote and enhance the profile of their businesses. As Abby has explained, there are opportunities for travel businesses to reach consumers through our flights and hotel products.

On Google.com travel businesses can also appear in the organic search results or in the text ad. Our search algorithms and ads options apply consistently to SME's as well as to more established providers. We also have a number of initiatives aimed specifically at uplifting local travel business and these are particularly important as the travel industry continues to recover from Covid.

One thing we do is provide self-service dashboards available to help business address and analyse demand exploration and how the demand for global mobility is being affected. Some dashboards provide insights for google partners about the movers and shakers on destinations and which geographies require adjustment in their advertising strategy.

We also have dashboards that aid to provide forward looking or look ahead insights around future trip durations as well as trip types. We also provide small businesses that are seeking to gain more traction with users through advertising or marketing with support on best practice in designing and advertising strategy, and we draw on our global team for advertising experts.

What I will now do is hand over to my colleague, Abongile just to elaborate a little bit more on the support we offer tourism SME's.

MS MASHELE: Thank you, Alistair. My name is Abongile Mashele, responsible for Government Affairs and Public Policy in South Africa. I will be taking you through some of the case studies that we have in South Africa showcasing how we support small businesses in the sector, and also promote the industry as well. Another way that Google supports small travel business is by providing opportunities for them to appear via the Google My Business product.

This allows small hotels to claim a location on Google maps and share information about their businesses which will then be displayed on both search and maps. We have also partnered with the South African Tourism Board to launch an online exhibition where visitors from all over the world can explore South Africa through a collection of 500 images and video's, 55 street views and 20 online exhibits.

The partnership that we have entered with Google with South African Tourism is similar to ones that we enter with bodies in other jurisdictions and it has four strategic pillars that guide implementation. The first one is to support destination marketing organisations such as Tourism in South Africa with technology. We offer a service of dashboards available through the flights reporting centre to address demands exploration and how the demand for global mobility is being affected.

Secondly, we enable the travel eco system through educating and upskilling small businesses to onboard online, through local activations of free business listings and websites. The third one is through Google Arts and Culture where we provide a virtual experience where consumers can see virtually the destinations and cultural heritage sites as well.

Lastly, the influencer campaigns – press and influencer campaigns where we assist in generating positive discoverable content about South Africa using Google products like maps and YouTube music. We have also made available a free tool marketing kit. The marketing kit enables businesses to create free marketing content such as media post – social media posts, posters and stickers.

We have localised the site for the SSA region which includes South Africa and this was launched in October 2020. Now for the last case study before we close off, is the case study of the JoTham's Guest House, a guest house owned by Thamendrie. She bought a guest house JoTham in Durban in South Africa. I will allow for the video to play so that she can tell her story in her own words.

[VIDEO BEING PLAYED]

MS MASHELE: Thank you for that. As you can see through the digital skills program that she attended, she was able to increase her turnover by 40 percent as she indicated and has hired two new employees. JoTham now welcomes guests from South Africa, neighbouring Botswana, even as far as the United Kingdom.

The last slide will basically take you through the Google Arts and Culture program that we have in Google. Google Arts and Culture assist us to curate and preserve cultural content from around the world. In South Africa, we have worked with 12 partners and we are continuously onboarding new ones. On this slide we have some examples of how we have used technology to showcase South Africa's rich heritage to people around the world.

With our free technology and storytelling tools we can offer to preserve and promote the must visit destinations and cultural artefacts that are integral to the country's history and culture. We have assisted to digitise top locations with our street viewer maps, and as well as digitise arts works and artefacts with our super high resolution with an art camera.

The first example on this slide is a – it shows how we commemorated the release of Nelson Mandela 30 years ago, and this was held on the 14th February 2021. We worked with five museums; they came together to commemorate the release of Nelson Mandela through an online project which was launched in Cape Town.

The second one was to celebrate Africa day where Google Arts and Culture and YouTube collaborated on the 25th of May through an exhibition shining light on African art, food, fashion and communities with over 26 museums having participated and launched. The event was launched at a YouTube Covid-19 benefit concert.

Last but not least was the August 9 women's day commemoration where we worked together with the Nelson Mandela Foundation, where we celebrated 24 women who have helped elevate the status of women in South Africa Including Maredi Madikizela Mandela, Graça Machel and Castor Semenya.

Chair and the panel, that brings us to the end of our presentation. We would like to thank you as the Commission for your time and we now welcome any questions that you may have. I hope through our presentations in the last two days we have assisted to demonstrate the helpfulness and impact of Google products to both individuals as well as small business in South Africa. Thank you very much.

CHAIRPERSON: Thank you, Abongile. I think tonight we will press ahead and maybe take a break at the top of the hour. I had a question yesterday around the split of search globally and also South Africa and Africa with the shift to mobile. And, Agnieszka you said the search team was obviously going to be here so, maybe can I just ask how search have shifted from desktop to mobile globally and in South Africa, just the proportion that is now mobile.

MR KANE I can start. I do not have specific numbers on mobile versus desktop but it is something that we have focussed on and we think it is very important. We see a lot of users who are coming online, who are looking at content on their phone, first and foremost versus on their desktop.

A few years back we publicly announced that this is something that we are going to prioritise and something that we thought was important for our search ranking algorithm to understand what the mobile landing page per site was and so, you know this is something that we – it is what I mentioned earlier in the presentation.

This is one of the things that we announced on the Google search, on the Google Blog basically informing developers that this is a signal that we are going to focus on, that we are going to prioritise and so we are hoping that the mobile developers would follow with action so that they would make their sites more mobile friendly so that is something that users should be able to find information that they are looking for faster on the mobile page.

I am not sure if others on the panel or – sorry on the Google side would be able to speak to the numbers in South Africa so I will open up to my group.

CHAIRPERSON: Alright look, all I wanted was this split. I mean as I understand mobile is bigger than desktop. But if Google does not know then yes, that is interesting. Can I also just ask that we keep the responses down to, to sort of answering the question. It is just we have got to cover search shopping and travel in a very short space of time. So the specific question was what was the split? If there is no knowledge within Google of what the split is between mobile and desktop globally, then I will move on, but if there is an answer I will give you a chance.

MR KANE: I do not think I have the answer for you right now but we can certainly come back with it – with that shortly.

CHAIRPERSON: Alright, I just want to talk about search behaviour. So as we understand it from everything that has been published, less than 1 percent of searches go to page 2. Is that correct?

MR KANE: I do not have that information in front of me, but if you have that information we can assume that you are working off of proper facts?

CHAIRPERSON: Ja, I am just a little surprised that we have got the Search team here that this would seemingly be the most basic information. So, I mean can you confirm it or not?

MR KANE: I can confirm it after the fact. I can go back and speak to our product teams and understand, get this information and share it back with the panel.

CHAIRPERSON: Alright. Look, I am going to put it to you it is less than 1 percent because that is what a lot of academic study say and I would appreciate a degree of cooperation. I mean I would think as I said, this is Google Search. They organise the world's information, they make their money from search, these should be standard information available to the team, so I ...[intervenes]

<u>MS TAYLOR</u>: I think the issue we have got is that we did not know in advance what stats you wanted and some of the information you are asking for is touching on things that are commercially sensitive which is making it hard for people to answer on the spot on the specific data without being able to check where it is coming from , you know.

<u>CHAIRPERSON</u>: Then well then, let us go to a few more facts and let me just put it to the public at least. I mean a lot of people who advertise on Google talk about the fold, which is basically the point at which you may scroll. So on a mobile device it would be the point of having to scroll down and on a desktop it would be the point, the bottom of the first screen.

And as we understand less than 20 percent of product search at least goes to the bottom of the page, and I will put it to you expecting maybe no answer but what proportion actually scrolls at all. I mean we would probably think it is not that significant but if you have an answer, please we welcome that.

<u>MR KANE</u>: Okay, I do not think we can provide a specific answer on that although I do want to say that you know the

purpose of Google Search is to provide the most relevant results. The expectations of the most relevant information will appear on that first page, and so if we are doing our job properly the most relevant information will appear on the first page.

And users will not necessarily feel the need to go to the second page because what they are looking for will show up on the first page.

CHAIRPERSON: Well we are going to come to that but I mean if less than 1 percent of searches go to page 2, then effectively almost all the clicks on page 1 and on a mobile that would include the scroll down but you reach a point and probably a high proportion of those clicks are so-called above the fold. I think that is a reasonable conclusion.

I would also expect that more clicks were on the first result and the second result than on the third result. Are you able to comment on any of those propositions?

MR KANE: I think your premise is correct. I think ja, as we look at the search results page we want the most relevant information to surface highly on the first page and you get decreasing relevance as you proceed down to the second, third, fourth and fifth and so on pages.

So if we are doing our job properly, the most relevant information should be the first result and that should be what most users would click.

<u>CHAIRPERSON</u>: You, I think it was mentioned twice in the presentation that 80 percent of searches have no ads. I just wanted to ask about product search. So we are dealing with in essence the commercial - online commercial world of platforms or e-commerce, travel and so do you have a statistic when someone is looking for an actual products?

So this is something to your point where advertisers may obviously want to target what proportion of those searches say, just take you two category shopping and travel that would attract no ads.

<u>MR CRIDER</u>: Ja, I can take that one. I think first I just want to clarify the point about 80 percent. The fact that that we had providers was on average 80 percent of queries do not return ads in the top slots. So sitting there - sitting that side, today I do not have that, the specifics of you know what the number of queries that return product or travel results but that is certainly something that we can go back to our product teams and provide the panel.

<u>CHAIRPERSON</u>: I mean my guess would be very few, because obviously these are things advertisers are interested in which is the basis for why you may get an ad and someone may bid on the result. So the only indication may be that on your point, maybe the quality of ad and relevance is not sufficiently close in order to put up an ad.

But if I am going to – I mean anytime I have typed in running shoes or hotels, I am going to get ads and that is the experience that we have certainly as consumers. So I mean, would you accept that probably a high proportion of these are going to be ad based?

MR CRIDER: Ja, I think as Dan mentioned you know our objective is to show the most relevant results to users and to identify what users are looking for. So on a query like running shoes we have learnt over time that that is a highly commercial query and in that particular instance that it is a shopping query or it has shopping intent.

Therefore we should be showing product ads or text ads or both as we showed in the presentation in response to that user's query in order to satisfy their intent and provide them with the most relevant results.

CHAIRPERSON: That is what – I mean maybe just to pick up that point I mean, obviously an ad there is a relevant component but there is also a paid component. If it was purely on relevance it would be who comes first in an organic search. I mean, is that not true?

MR CRIDER: Yes, certainly you know as mentioned in the presentation that the ads are – we calculate an ad rank for every ad query and so ad rank is comprised of a number of pieces and one of those pieces is bid amount. But there are a number of other factors that go into determining ad rank and those factors are crucial.

And they include of course the relevance and usefulness of an ad, quality of the ad and the advertiser's website and the extensions and even their – even the quality you know, their details into the quality components that we can talk about and that we look to. So it is a complex determination for each ad and it does not solely depend on bid. You know overall, higher quality ads typically lead to better user experiences for and that is ultimately our objective.

CHAIRPERSON: But if I wanted to compare what the mos relevant was if I did a Google search, I can look at what the ad comes up, and I could scroll down and look at the organic and the organic is let us say untainted by the bid and has all of those relevance components whereas the ad has that additional component. And sometimes they may the same, sometimes they may be different.

MR KANE: I think there is a couple of pieces here one, just speak into commercial or shopping queries for retail products. We have additional signals that we may not have in the organic context that help us best identify what a user is trying to retrieve with their query. For example the advertiser – shopping advertisers provide us with very detailed feed data, including images, prices, you know location of the products and also direct buy-pages for products.

So when you are clicking on a shopping ad that is relevant to the query or providing the user with more information and the ability to go directly to the advertiser's buy-page whereas that may not be true in the organic context because we do not have as much information.

CHAIRPERSON: Understood. On the – just on the evolution of the page, I mean you pointed out I suppose maybe for those old enough as me to appreciate ads probably started on the right hand side only, they migrated across into the sort of search results and obviously on mobile, there is no right hand side it is only a scrollable portion, but it would appear that they become less and less distinguishable from search results.

So although you say in your presentation your presenting ads, you know this was there were different colours, they had sponsored link, now it is shrunk to an ad that was blue, now its black. So almost the evolution is that they were quite separate, almost like a display ad, and have become far more integrated with the search ranking component.

So it appears to us at least that it has become less and less distinguishable for the consumer, that these are different. The ad label is there I give you, but the whole look and feel is fairly similar to organic results. Do you have any comment on that

MR KANE: Ja sure, I can comment on that. We are an industry leader when it comes to providing unambiguous ad labelling. And our ad labelling is guided by extensive research that we do that shows that these labels that the word that you see today, clearly help distinguish between paid and organic content, organic listings.

We also brough additional information about each of the ad units that gives our users transparency into why they are seeing an ad in the option and no longer see ads from any particular advertiser. We have clear business incentives to maintain a distinction between ads and organic results, this is because when users encounter bad ad experience, it ends up deterring them from clicking on other ads.

And when they click on a search ad, we want it to be – or a shopping ad, we want it to be because the ad was relevant and useful, not because it was confusing. If we provide a bad user experience, they are less likely come back to Google for their search needs.

CHAIRPERSON: And how, what is the sort of minimum number of organic results on a typical search engine results page?

MR KANE: Sure I can start with that and I can try hear if he has anything additional to ad on the organic piece. We show a maximum of four text ads at the top of the page and at the bottom of the page, you can also see up to four text ads.

The shopping unit to the extent that it is relevant to user's query, would displace text ads at the top of the page. So we are not displacing organic results by the inclusion of the shopping unit rather, the ad space is fixed.

In terms of the number of organic listings we show 10 blue links between each you know the ...[incomplete – 04:43.]

MR KANE: ...[Incomplete] and things like that. And the other point that we hear a lot here is just you know just going back to what we talked on the presentation, our end goal is to provide users with the most relevant and useful information in response to their query, you know. That may be an ad, that may be a travel unit, that may be a blue link.

What we decide to show you know, in those first few results is dependent on that and so if you see a travel unit at the top, it is likely because we have looked at your query and decided that there is a high travel intent and that we think this is the best result.

MS PRINGLE: And just to add to that point, travel results are not fixed at the top of the page. The travel unit is ranked organically just like any other element on the search results page.

CHAIRPERSON: And if I may just respond I mean to the first point I mean, is that really true? There is an ad there because someone has bid on it. So it is really that Google has determined this is the best result or has Google determined that an ad of sufficient quality yes, someone has bid and therefore there is space for that ad and therefore it is placed at the top.

That seems to be the more accurate depiction of why there is an ad at the top. I mean surely that must be the case.

<u>MR CRIDER</u>: Ja, I think there is a couple of points to make here. One, you know with respect to whether it is a shopping unit or travel unit that we may show you know, those units depend on the type of query. And we are trying to determine what it is that the user is looking for and whether we have the most useful information available.

So, on a non-commercial or non-shopping query, I think the one that I gave in the presentation was something about you know looking for information on a local election. We typically would not expect any ads to show, certainly where we should not see shopping ads to show and in that case when a user’s intent as far as what we can decipher from their query is not commercial or not shopping.

The other point to make is that if we simply return ads solely because somebody has bid on a key word, we are not providing users with the best possible experience. And over time when they click on these ads and realise that they are you know, in your scenario where we are just putting up any ad that somebody has bid on regardless of its relationship and relevancy is queried.

When somebody clicks on these ads and they return to Google because they are not relevant, they learn to not click on ads and they learn to go elsewhere for their search needs because they are not getting the most relevant results. So, it is not in our interest to simply show whatever ads bids on at the top of the page or trigger a shopping unit for example on a query that does not have shopping intent, provides a bad user experience.

They do not – they learn not to click on these ads and they do not ultimately come back to us. And then I think you know, I do not want to sort of belie this point but quality is extremely important and when a query is commercial, if we do not have – or shopping, if we do not have ads that get over our quality threshold, we are not going to show them.

For the same reason I have just explained why you know we would not show ads on a non-commercial query in the first place, because it is a really terrible user experience.

CHAIRPERSON: And I accept that there is a degree obviously of relevance that needs to be a threshold as you put it and that is part of your algorithm so I do not want to be searching for election results and get an advert for running shoes. But if we are in the commercial worlds and I type in running shoes, there is going to be something relevant from an advertiser and in hotels the same.

So it is almost you know we can take it to extremes and that would degrade the user experience but if I am looking for running shoes and to get a particular shoe in front of me, clearly I might expect that because you know, that was my search in the first place. So there may be a minimum threshold but in the commercial space and that is what we are really focussed on here, it would appear that that threshold may be easily traversed by one or more advertisers.

MR LEWIS: If I may respond and comment in relation to that. I think it is important not to think of Google's generic web search algorithm as kind of giving some sort of objectively the best relevance out there and anything else is a kind of sacrifice in terms of relevance because sometimes the web search algorithm concerned maybe a particular merchant has a sale and maybe they have got some particular feature of the product that they want to advertise it, that the web search algorithm simply does not know about.

And so really it can be the case that an ad where the advertiser is able to say you know there is 50 percent off certain products and that could be in cycling and the user can see that set-out and click directly to that web page that the merchant may have another for, can really be more relevant than something simply be web search algorithm is able to search if it is given the way a generic web search algorithm works.

So I think it really is important to not think of the web search algorithm as sort of the ground truth, and then anything else a kind of sacrifice in terms of relevance.

CHAIRPERSON: Ja and I do not think we are saying it is irrelevant, what I am saying is that you know those results are influenced by the ad bid as well and there is a minimum threshold, we accept that. All I am saying is that in a commercial world there will be a lot of relevant.

So anytime I go searching certainly under shopping products or travel, I will see at least one ad, most often many ads depending on the type of search obviously and I think this is the point. I mean, shoppers and travellers or the people who sell those products or services, know that these are two areas at least where consumers do start online.

Because it is precisely maybe the usefulness of search for that but I mean again, is as we understand and you probably will not have the stats for us today but I mean more than 50 percent of shopping journeys start online. And even in South Africa we know that certain journeys to buy a car, buy a house, go shopping, even if I end up at a brick and mortar store, start online and that is where I search.

Travel another one, a lot of booking online. So, because the industries – these industries know that, they are going to bid on words and there will be a substantial number of ads typically. So let me just say that is our impression, I do not know if you have a response ...[incomplete]

MR CRIDER: Ja, I will just make one point on the way that the shopping and travel ads auction works that is distinguishable from the text ads auction. In the shopping and travel context unlike in the text ads context, results are not determined based on key word targeting by the advertiser. Instead what we are doing is matching the user's query to the detailed feed data that I talked about a few minutes ago that these advertisers provide to us.

So it is not simply that in the case of shopping or travel ads an advertiser has chosen to bid on a specific key word. In that case what we are trying to do is again, match the user's query with the detailed product data in the case of shopping or travel data in the case of travel to the query.

CHAIRPERSON: Thank you. I think so if I am clear, if it is on shopping and we type in running shoes and you have got your carousel at the top, then you will look at who has paid for advertising on the Google shopping unit and they have paid for advertising.

Then you would select from that group because obviously the organic results are in the – what do you call it, the shopping property and would come through at a later stage if the user click through. Is that correct, then?

MR CRIDER: The shopping unit, yes. The shopping units and ads unit and the way that the product offers get into the shopping unit is that a retailer or e-commerce website creates a merchant centre account provides us with feed data about their products, the products that they wish to have advertised on Google and they link that merchant centre account to their Google ads account and they set up a shopping campaign.

And then we take that feed data and we parse it in response to a user’s query and then return results based on a match of the query and the products that are given to us. Of course the discussion about ad rank holds, we look at you know, quality of the landing page, the ad content you know relevance of the particular products that they queried, and also bid in order to show ads in the shopping unit.

CHAIRPERSON: I think ...[intervenes]

MR CRIDER: One other point I wanted to make, I just remembered. The clicks on the ads do not go to Google shopping, and I do not know if that was clear or not in the presentation but the clicks on ads in the shopping unit go directly to the retailer’s site.

And one of the important pieces of shopping ads is that the advertiser needs to provide us with a buy-page for the products because we have learnt that the best user experiences for users is to find a product that they are looking for and be able to click directly to the retailer's website where they can purchase that product. So the clicks on the ads in the unit do not go to the property.

CHAIRPERSON: No, I think we understood that but maybe the public did not so that is helpful, thank you. In these at least in these two categories, I mean Google is – I do not know 98 percent plus search in South Africa, it may be different in other part of the world. But if 50 percent odd start their journey online and often on Google, how you present your results does matter.

It is going to matter for these two categories at least and maybe other categories as well. And because these are commercial products, because commercial companies are bidding on these with relevant results, what we are hearing consistently across players in this area is where you appear on Google matters for one, and how much you have to spend matters.

So we well put it this way, it surprise me to one point a travel company said or an e-commence said we look at their Google search ranking. That is how we choose which platform to go to. And what we are consistently seeing is that when we look at these platforms at least, the bulk of their spend is on Google adverts or shopping or travel, not so much on social media advertising.

And that does mean they obviously have a bigger budget to appear more often, their bidding strategy may affect that, but typically they are going to knock the bidding strategy so that they can use their budget. So the bigger players appear at the top of the search screen above the fold more often than any smaller player and that seems the natural outcome of the current set-up of the Google page. So let me get your responses to that.

MR CRIDER: Sure, I can start. So the ads auction does not consider the size of the merchant or its position in the market. And as I mentioned when discussing ad ranking, the amount someone is willing to pay for an ad click is just one factor. Relevance, usefulness and the quality measures, quality of the ad, quality of the landing page are crucial considerations.

What this means is not that it is not critical for small businesses or smaller players in the market to bid, to have the highest bid in order to get their ads in front of potential customers, you know. In fact, a higher quality ad with a lower bid can and certainly does outrank a higher bid and lower quality ad in many cases.

And the higher quality ad with a lower bid would be ranked first and higher up the page, so it is not determinative in any sense what the size of the merchant is or their position in the market, those are not factors we consider when we rank ads.

CHAIRPERSON: But I think the one thing you may be leaving out here is budget. So one interaction I had with the platform that says ja by 08:30 in the morning, my budget is spent. I am not appearing in ads for the rest of the day. And so, budget does matter. Maybe a small player can outbid once or twice, but budget matters and if they have run out of budget, then they are not in the game at all.

I think the second point is, is just on quality. I mean, as I understand that includes as you say the quality of the landing page and maybe you know, whether it is relevant to users, how much they might convert or click through. Now all of that could in fact be in the favour of a large platform too. They may put more into the website, they may because of their popularity have better conversion rates, so it may appear more relevant.

So there is also potential perverse outcome where larger players actually may be able to bid lower than smaller players and still win the top spot. I mean maybe if you can respond to that and the first point just on budget.

MR CRIDER: Sure. I guess to take the budget point first, I think you are certainly the overall amount of money someone has to spend could make a difference in highly competitive you know, on highly competitive queries. I do not have any statistics around that, I mean I think that is generally you know – generally correct in certain circumstances but not correct in you know, in response to every query.

So you know, I think we would have to look at specific instances which we are certainly happy to do offline and provide more feedback there. And then sorry, could you repeat the just the sort question – the second part of the question just to make sure I deal with that correctly.

CHAIRPERSON: Second part of the question is, is that quality elements do not unequivocally favour a smaller player. There may could in fact favour a larger player too. Which means you can have the perverse result that a smaller player has to bid higher than the large player just to get that slot.

MR CRIDER: Ja, I suppose that you know, it is theoretically possible. I do not have any statistics in you know, yet again I think we would have to look. You know ad ranks is calculated – let me say this. Ad ranks is calculated for each ad request – for each ad, for each ad request on each query and so there is a unique outcome each time and it is different to, it is very difficult to quantify the one or the portion of a bid that plays into ad rank or how any one of the number of quality factors all of which are scored separately and you know work independently and together to come up with ad ranks.

So, it is a little difficult in the abstract to answer that question. It is certainly possible that a large retailer could have an all very high quality components and therefore need to bid lower, but it is not necessarily true and I do not know of any specific examples that I can give you on that front. I want to make one – sorry, I forgot to make one point on the budget, a very quick point, you know.

I just want to say and I think this was on the slide but I did not mention it, that the auction is second priced. So it is not necessarily that the advertiser is paying what they bid to show up. They are only paying a minimal amount, that the minimal amount necessary to – sorry, excuse me. The minimal amount above the next highest ad ranks offer.

So that is also a factor and you know, how long they have - how long their budget may last for any particular period.

MR KANE: Very quickly, I just want to note that we have been talking about ads here specifically but ads is just one component how say to make it discovered through Google. And on the organic side you know, we look for strong authoritative companies, you know. We want to service those highly, we want to provide those results to users quickly, efficiently, and make sure they are able to find them.

And so you know, regardless of what is happening on the outside, this is you know we want to surface high quality businesses, authoritative businesses, not that is the way that these businesses can continue to get discovered through Google.

CHAIRPERSON: And we understand that ...[intervenes]

MR KANE: Sorry, to add quickly ...[intervenes]

CHAIRPERSON: Sorry, can I just - I mean just in response, I mean we understand that and that is the I suppose the complaint from some of the smaller platforms in South Africa is, they are first on organic but they are not getting the traffic that they are used to because over time more and more of this page is monetised and so they are slipping below the fold.

And we will come to a bit on travel in particular where the travel unit pushes them further down and so there is a sense that this has become a big money game. We are the best organic result, we are strong we are relevant but we are not being shown and we are not being discovered. So that is exactly the complaint in a sense from platforms that we are hearing.

I mean just then on budget I mean, it also follows that if I have got a $1 billion to spend versus a $1 million to spend, that will last longer and I will certainly get far more top searches. So ja, I think I mean that is the impression we are getting from the platforms in South Africa and confirming by looking at the confidential information from any of the platforms and how much they are spending on Google.

MR LEWIS: If I can just ad one point just taking us a step back and thinking about Google's incentives. Google does not have an incentive to have very small number of retailers appearing, you have got to understand that they will end up dominating the auction because compared to a situation where Google is showing a kind of diverse range of merchants, you know.

So that is more generally but clearly Google's results are going to be more relevant in the scenario where there is a lot of range of advertisers to select from. And that is important because I think you mentioned the stats that Google – I think you mentioned Google's market share in South Africa but if you think about how online shopping works, it is not a given that you are going to start your shopping session from a search engine, you might start it from a range of other sites and merchant platforms.

And we have seen stats not in South Africa unfortunately, but elsewhere where a very high portion – in fact the majority of shopping sessions do not start with search engine but instead start with a major merchant platform. So Google has an incentive to make sure that what it is showing users when people come to Google to do a product search.

It is relevant to reduce them to actually start their shopping sessions at Google and I think that goes in favour of saying well, we want to make sure we have got a diverse set of merchants appearing in ads rather than it always being you know, the same old merchant platform.

CHAIRPERSON: Ja, I do not think diverse number comes into that, the ad algorithm but I may be wrong. I just want to maybe just end of with this, I mean just to give some idea because we cannot obviously reveal any confidential information and but I mean, between your big travel companies, Airbnb booking and Expedia Travel Advisor.

I mean they spend on marketing and obviously that is broader than Google search, but a fair chunk is probably Google search I mean, they spend $13 billion on that in 2019, and their public account show that their marketing spend is, it could be anywhere from 30 to 50 percent of their revenues. I mean marketing is a massive component of online platforms.

And so I think the concern for the panel at the moment which we do need to explore more with Google is, the funnel – a big part of the funnel starts at online search. And Google's increased monetisation of the page and maybe consumer laziness, whatever we may want to call that, it may be your relevance but in effect, you are determining the next part of the funnel quite substantially.

And it is whether Google because of its dominance in search in creating dominance in some of the other platforms that we have in South African and maybe globally as well. Because you may have an incentive for a number of advertisers wat you need more than anything is, is advertisers that are here spending money in the top.

So that is starting you know, an impression we are starting to get and I would not mind your feedback on that.

MS PRINGLE: I can jump in on the travel side. As we noted in our submission to the Commission, in fact on South Africa and in most of the world travel queries do not start on Google, and there is actually quite a diverse set of websites that users visit instead.

So as my colleagues were mentioning you know, Google's incentive really is to provide users with relevant information and links to places to find the information that they are looking for when they come to Google to start their search, which for travel they do not usually.

MR CRIDER: Ja, on the shopping side I just want to emphasise something that Stephen said a couple of minutes ago which is that we certainly see that users are likely to multi-home, and that is turn to different platforms and retailers depending on their requirements for a particular search.

So, it is not necessarily true in the shopping context that searches start on Google.com and as Stephen mentioned, we have statistics in other jurisdictions that show that many of these shopping journeys actually start elsewhere on other e-commence retailers and directly on brick and mortar sites.

CHAIRPERSON: I mean I have no doubt that it is not the only way their journey starts, but it is a substantial portion of that. And we will come to this sort of you know, obviously the shopping and travel specifics relatively soon, but if you are a substantial part of the start of the journey and large players can bid with bigger budgets for the top slots more consistently.

Certainly, it appears to be part of their strategies that they need to be present on Google and bidding and in the top slots. Even if it is shopping, even if it is travel. So on shopping we may well see that you know who are the big spenders, know that this isa way that consumers are directed to their websites and that is a consumer acquisition channel.

So certainly from their behaviour it is clear that they see Google as a fairly critical source of customer acquisition and growth. And often the attempts at growth will be matched by increased marketing spend. Unless there are further comments, may I suggest we take a 5 minutes comfort break and come back and then I am keen to just chat about shopping and then travel.

Alright, we will resume in 5 minutes, if that is okay. You can switch your cameras off and then we will start with shopping.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: Thank you very much. I just want to then look at Shopping and then Travel as that is the order in which it was sort of dealt with. I mean, I would imagine, as I said, there are two areas people go online to search it is product shopping and it is also travel. So I would imagine Shopping must be about the biggest vertical, if we had to use that terminology or category search on Google. Is that fair or at least amongst the top from an ads perspective?

MR CRIDER: From an ads perspective I would imagine that it is, you know, somewhere near the top, although I do not have the specific statistics in front of me about which verticals rank where within, you know, our ads ecosystem. That is absolutely something we can follow up with and bring back to the panel.

CHAIRPERSON: Ja, I would imagine Shopping and Travel must rate there just given the commercial elements to that.

MR CRIDER: Well, there are so many verticals that I hesitate to kind of pin them near the top and verticals that I do not cover, so certainly in my myopic view Shopping is a large vertical but, you know, I would want to make sure that we got the statistics from our teams and get you the right information.

MR MOKOENA: Ja and I think it is also worth mentioning that travel actually disappeared in the last 12 months. So we have seen very, very little travel revenue coming in because people were not travelling. So Travel is a very tiny part of the business.

CHAIRPERSON: But that should hopefully change.

MR MOKOENA: Ja, hopefully when the borders open up, ja.

CHAIRPERSON: Ja and we have still got domestic travel too that – those are temporary moves in the global sort of shift. I mean, just on search shopping presentation, I mean as I understand the Shopping unit as you call it always appears at the top and I mean first [indistinct 00:02:36].

MR CRIDER: I can also appear on desktop. It can also appear in a grid on the right hand side of the page in response to some results, so not as a carousel. And then, you know, on mobile where we have anything in scroll it will appear at the top of the page and then to the extent there are additional relevant shopping offers after every 10 blue links organic results.

CHAIRPERSON: And as I understood it the carousel is ads only. If you want the unpaid results you go to the Shopping property as you have called it in terms of terminology. Is that correct?

MR CRIDER: That is true that the Shopping unit is ads only. We launched the free listings programme just over a year ago, so it is relatively new and growing quickly and as Alistair mentioned is the vast majority of the Shopping property. I would need to check, but we are bringing – you know, what is available in South Africa, but we are bringing free listings to search. It is a big effort of ours and I think we made some public statements about how we would like to bring more free listings experiences to search.

In the US we have a free listings in jackpot or knowledge panel which is the result we return when a user searches for a highly specific product like Bose QC2 QuietComfort headphones, like something very specific and in that instance that unit is free listings in the US. I am not sure whether that treatment is live in South Africa. We will certainly check.

CHAIRPERSON: Ja, I mean not that I am aware of, but we can find out. And again just on consumer habits, I mean how many people actually go through to the Shopping property? Because as you said, if you click on a product in the carousel then you go straight to the merchant page. So what proportion of clicks on that go to the property?

MR CRIDER: I do not have the – excuse me, the statistics in front of me and that is certainly something we can get, but I am not sure how many clicks on either – how many clicks there are as a proportion on either the Shopping tab at the top of the Google.com search results page or on the view more link.

You know, users also can navigate directly to the property and I think we may have provided some data, but I do not have the specifics in front of me. I am happy to follow up.

CHAIRPERSON: But Shopping is your area of expertise, is that not right?

MR CRIDER: That is true. I just do not have the specific figures for the relative proportion of clicks and where they start [indistinct 00:05:39].

CHAIRPERSON: And I would not want you to reveal confidential information. I just think for the South African public it would help to get an order of magnitude, you know. So we know that less than 1% went to the second page, but I mean are a lot of consumers going to the property or not?

MS TAYLOR: [Indistinct 00:06:01] the less than 1% was your figure rather than ours. I think generally on stats it is going to be difficult for people to pull up numbers on the spot. We do not have them in our head, so it would be really helpful if you – if there is a series of stats you would like, it would be really helpful if you could just give us a note and then we can go away and see which ones we can source.

CHAIRPERSON: I am not asking for the specific number because that may be confidential. So I am asking for orders of magnitude and I would think if we have the experts from those two verticals that those should be the most basic information that you would be aware of is if you were in those verticals. So I am just asking whether we can get an order of magnitude.

MS TAYLOR: I will come back to you.

CHAIRPERSON: All right. I mean look, we would put that that probably a fairly small proportion actually move through. I think the public would be interested to know as well and so it would be useful if we could get that out into the public domain as well. But of course if you do shift through to the property the ads are on the top, the carousel is at the top anyway and you would have to move down the page in order to get to the unpaid results. I mean, that is the way it has been presented as well and that is where the consumer can go and have a look.

MR CRIDER: That is not true in all queries. There are – you know, if there are not relevant Shopping ads we would not show the ads unit on the property. You could just have free listings. So there is a possibility it would not show on some queries.

CHAIRPERSON: Ja and I think we would accept that, you know. And maybe, as you say, if there is nothing relevant you would not get a carousel at all and then you may get some text ads or you may get some other results.

MR CRIDER: I think, sorry just to clarify, the point I was making was that on the property because the free listings is a separate programme, it is possible that you could have shopping results on the property that are from the free listings programme but not have any ads. So it would not be text ads in that case. It would be potentially free listings results on a query that does not generate ads because we do not have relevant ads.

CHAIRPERSON: All right. I thought from the earlier question which you answered that the carousel has ads and it is labelled ads as well. So it was not my impression from your previous answer that there were free listings in there, I mean at least not in South Africa. There is a jackpot in the US.

MR CRIDER: I am sorry. I thought we were talking about the Shopping property, but that is true for Google.com.

CHAIRPERSON: All right, no and I am glad you clarified that because I think we might get confused between the two obviously and if I start on Google.com that is what I would see. If I went and navigated to Shopping on the top then I might go direct to the property.

I mean, I suppose the proposition I would just put to you because of the ads, the prominence on the top of the page, I would imagine again this has obviously attracted a lot of interest from commercial companies, so retailers and also the platforms. Certainly when I go and do random searches often you find some of the big ecommerce platforms and some of the big retailers as well. And again, I would imagine, and you can correct me if I am wrong, those with larger budgets are going to appear more often and because you have to have a shopping campaign and they are probably going to get more of the clicks that come with that property.

MR CRIDER: I do not think we can say that that that is true necessarily because as I mentioned earlier, bid is only one component of ad rank, you know, quality is - relevance are crucial. So in that sense simply because somebody is willing to pay more does not necessarily mean that they are going to be the highest ranked ad. And with respect to budget, I think it is highly dependent on a number of factors. The competitiveness of the query, what the other participants are willing to pay. So it is really hard to say in the abstract that the proposition that you stated is generally true.

CHAIRPERSON: I would respectively disagree. I mean, budget does matter and if that budget is spent it means you have appeared more often and therefore you are going to have more of the visibility on Google Search you should get more of the clicks. I mean, otherwise why spend that money?

The retailers come there because it results in customer conversion. They do not come there for charity.

So they are weighing up how much am I spending on Google Search and what that delivers in terms of revenue and margin. So that is what we consistently hear from people is I look at how much I am willing to bid and how much I am willing to spend because of the profits I expect to make.

So if we do see a retailer who has spent a few 100 million versus one that is 200 million – sorry, 2 million, we would expect that they have had a lot more exposure and visibility on Google. I mean, it must follow.

<u>MR CRIDER</u>: We can certainly look at specific examples, but I would rather not say that that is true in the abstract without knowing for certain that we can generalise in that way.

<u>CHAIRPERSON</u>: Ja look, I accept that as an economist I could tell you that is true and I could tell you that retailers big and small will tell you that is true. But be that as it may, I am interested in, as you put it, the EU case around Google Shopping and I am also interested in I mean at some point there is a debate about that whether Google Shopping is a comparative shopping site or not, but as I understand from your presentation today the point of Google Shopping is to allow people to search products and compare. That is what your presentation is telling us and that seems to be what a price comparison site is also meant to do, is it not?

<u>MR CRIDER</u>: Ja, I think I will start, you know, here. The

distinction to make here is that the Shopping unit in the context of the EC case and also generally is not the Shopping unit on Google.com is not a price comparison service itself. I do not think we take – you know, Google Shopping certainly is a place where people go to compare merchants and products and there is filtering functionality. It is a price – Google Shopping, the Shopping tab, you know, the property is a competitor of price comparison services. The unit itself again either, you know, in the context of the EC case or generally is not considered a price comparison service.

CHAIRPERSON: Right, but the unit displaces another price comparison service that might bid on Google adverts to appear. So you could say it is an ad for your price comparison website. You will always get the top spot and if it is a ranking then other price comparison websites may be further down the page. Well they must be because they cannot be in the number one spot.

MR CRIDER: Well, I think a couple points to respond. One is that, you know, price comparison services can participate in the Shopping unit if they have relevant offers. So they can set up merchants – eligible offers, excuse me. They can set up a merchant centre account, create a Google ads campaign and list any eligible offers in the Shopping unit.

The Shopping unit as we talked about earlier does not send traffic to Google Shopping. It sends traffic directly to the merchants. So in that sense we are not, you know, directing anyone to our Shopping tab with the offers that are in the unit. And of course price comparison services can also compete in text ads and to the extent that they are relevant and their websites are discoverable by our web crawlers can show up in organic listings. So there are a number of places that they can show up, including in the Shopping unit itself for any eligible offers they may have.

CHAIRPERSON: I just want to question you on your first statement. I mean, you say that a price comparison website can appear in your Shopping unit as we are calling it on the first page. I mean, I realise that is a remedy in the EU and I will come to that, but outside of the remedy which does not apply in South Africa because it has not been implemented in South Africa, I mean if you need to be in that unit you need a buy now button because it has got to go straight to the merchant.

So if I am a price comparison website, I do not see how I get into that unit because I am not selling you the product. I am a price comparison website much like Google Property. So maybe can you explain to me whether they can actively get into that without completely changing their business model?

MR CRIDER: You are absolutely right that one of the, you know, important pieces of shopping ads is the ability to take users directly to a buy page. Some CSSes in Europe and I understand and maybe some of my South African colleagues can speak to this, some price comparison services in South Africa actually allow users to transact on their page. So for those offers where we can take the user directly from the Shopping unit to a buy page on a, you know, ecommerce site generally, including a price comparison service that has offers where the user can transact on the page, then those offers can participate in the unit.

<u>CHAIRPERSON</u>: Well, thanks for that clarity. I mean, in essence I suppose the EU case, and we do not need to go to the detail necessarily, but the EU, and I know you are appealing it so you obviously disagree with the ruling, but they felt Google was guilty of basically self-preferencing for Shopping and there seem to be two components. One was obviously the placement at the top of the search results of Google Shopping unit. So you occupied the number one slot, which I suppose typically has a better click through rate, but on top of that you have got images as well which as we know improve or catch user attention or searchers' attention. And so probably your click through rate may have been higher.

There was also an element which I believe has subsequently changed that changes to the algorithm on

Google Search demoted other price comparison websites. So it was almost a double whammy of having Google Shopping unit at the top and being delegated down at least on generic search at least. And the evidence seemed to be that those sites lost traffic over time and that was hence the reason for their decision. And as I think was pointed out in the presentation, yes, they may say that is the case specific and it may not apply elsewhere, but that was their case on Shopping.

I suppose what is interesting to me is almost part of the consumer angle. So much of that has been that comparative shopping sites actually have substantial value to consumers in the online journey and I will come to the comment that this is not a function or feature of the South African market, but bear with me for a moment, that proper comparison shopping sites serve a useful function because they provide consumers with a vast – hopefully a vast range of options and helps them find the cheapest, because otherwise consumers may end up at the largest retailer and make a purchase and hence they were popular in Europe for that reason.

I think so let me pause there and just allow you to comment. I mean, are these not potentially of I would say huge value to consumers where they have emerged?

MS TAYLOR: Sorry, could I ask you to just restate the specific question you wanted answered, because I think [indistinct 00:20:22]? We are very happy to come and talk to you about the Shopping decision, but I think it is very difficult at the current time for us to talk about it in this forum, although I am not sure the summary on the algorithm point was quite – we have responded on this in writing, so we do not need to go into that now. But if I can ask you what is the specific question you wanted us to answer on?

CHAIRPERSON: Well, it was just a question – I mean, do comparison shopping sites or price comparison websites as they are also known not serve a useful consumer benefit in the sense of informing consumers of the different prices that are available across the various retailers and merchants, whereas lazy consumers might otherwise absence their presence, might just end up on a big ecommerce online retailer and limit their search to that? So do you think they at least have some benefit?

MR LEWIS: If I could just add one point to the characterisation of the alleged abuse of conduct in the EC case. I think it is important to point out that the Commission did not actually make any allegation that Google was – its algorithm was in any way problematic and I think that is in the public domain. You can see from the European Commission fact sheet they released it says:

> "The Commission's decision does not

object to the design of Google's generic search algorithms or demotions as such."

So I think it is important not to think of demotions as an abusive thing that Google did. That is not what these say. In fact Google did not need to make any changes to its generic search algorithm in order to remedy the alleged abuse of conduct in the decision.

CHAIRPERSON: I accept if I am wrong on that, then so be it. We can go back and assess. I do not know if there is an answer to my question.

MR CRIDER: Sure, I can comment a little bit about the price comparison services. I mean, certainly they are useful. They vary in quality. So I think we can all take that as a given. I think the point to make here is though that when a user comes to Google looking for a query about – for a specific product they want to find a place where they can buy that product directly.

So the fact that they are searching on Google and providing us with the query gives us some context to help return the best and most specific results and they may not be doing the same kind of shopping journey that they may on a price comparison service, whether it is a third party comparison service or something like Google Shopping.

CHAIRPERSON: Ja, I think – look, I think obviously we have gone direct to Google Shopping, but I mean this is one of the fundamental questions that we also need to ask is I may have started on my journey on Google Search. I may well be looking for a comparison site and I am presented with your comparison site and that is fundamentally part of the complaint.

And if the relevant result said hey, you are looking at Shopping, maybe you want to look at a comparator site because that is useful to you, then consumers may take that option, but if not presented with that option they may not. So I think it is – I do not think it is a fair statement to say that just because I started on Google Search I have no interested in a price comparison website unless that site has got sufficient brand awareness for me that I am going there directly, you know, that may not be the case. But the way you build that brand awareness is of course advertising on Google and other means.

MR CRIDER: So I guess a couple of points. What I want to reiterate that the Shopping unit itself is not a price comparison service. So I think that is an important point, again both in the context of the EC case and generally the shopping ads at the top of Google Search.

Also, you know, certainly price comparison websites can participate in text ads and would be responsive to, you know, more higher funnel shopping intent queries. And I think I also mentioned earlier obviously that the same is true for organic results. If their websites are – you know, if they are relevant and discoverable they can show there. So there are many opportunities for them to have their websites discovered on Google.com.

CHAIRPERSON: Look, I think it is interesting you say the Shopping unit is not a comparative shopping and maybe that is the case, maybe it is not. People are presented with a number of alternatives along the carousel. But I think what – you know, just looking at some of the findings in the EU at least on that unit compared to actual comparative shopping sites, the report by Grant Thornton indicated that the prices reflected on that are not necessarily the cheapest. And that makes sense because they are ads effectively.

So the Grant Thornton report comparing your Google Shopping unit across the actual comparative shopping sites across a number of countries in the European Union, 12 countries, found that on average the prices were 13 plus percent higher compared to the comparative shopping sites and the median was about 7%. This varied by different categories, but I suppose it makes some sense if this is ads and the comparative shopping sites are not predominantly ads. I do not know if you want to comment on that.

MR CRIDER: I am not familiar with enough of the details of the Grant Thornton study, so I would rather, you know, look at that and then we would happily follow up offline.

CHAIRPERSON: Ja, I suppose I mean the proposition is simple and I would say intuitive that if that unit that appears in the carousel is ad based, it is not just relevance or who is the cheapest that has appeared, it is who has got a shopping campaign. And so it is not necessarily going to deliver the cheapest prices to consumers and I suppose that is the simple proposition.

MS TAYLOR: I think we understand your position on that.

CHAIRPERSON: All right. I mean, maybe just to move to your point about South Africa where it is in I suppose the cycle. You made the point in your presentation that you think because we were a latecomer we have almost skipped this journey that others in Europe went down which is on price comparator websites and I just want to just test that with you.

I mean, we probably are a little behind in that online journey compared to many other countries, but that also means that Google Shopping came earlier in our online growth than it probably did in Europe as well. So we do have a price comparator website. I think we put to Google that they have certainly – well, they have seen a big drop in their business since the arrival of Google Shopping and I am sure we can discuss whether – you know, what the reasons may be for that and that can be done confidentially.

But I just want to put to you, I mean comparative shopping sites have a value. Google Shopping is a comparative shopping site, the property rather than the unit if we have to go there. There has been huge uptake of Google Shopping in South Africa. A lot of advertisers have shifted to that unit. Now maybe that is on the unit rather than the property itself, but it shows that there is an appetite amongst consumers to search online.

And so I think rather our – maybe the proposition is rather than saying somehow we have skipped a beat that others, we have been late, but maybe Google Shopping has come a lot earlier and that has in a sense affected the growth of potential comparison shopping websites in South Africa. Maybe if you can respond to that?

MS TAYLOR: Well, maybe – I do not know if somebody wants to respond on the market specifics, but maybe just to clarify the point we were making in the presentation was more about the EC relevancy and that it is targeted. It was designed and targeted in a world where there were a lot of price comparison websites and that is the factual context in which that remedy was designed. It is different to the factual context that is, you know, on the ground in South Africa we think. I do not know if anybody wants to comment more generally on the sort of non-shopping bit.

MR CRIDER: It is also probably worth noting that Google Shopping did arrive much later in South African than it did in other countries. So the product universal in the UK were around as early as 2008. Google Shopping I think was 2013 in most EC EU countries. So 2017 in South Africa is quite a lot later than other countries where Google Shopping has been launched.

CHAIRPERSON: Ja, and as I said, we also are a fair bit behind as well in terms of online shopping and it is really COVID that has seen a significant boost, although probably that is true globally. Maybe one last – I do not think we have got time to talk to the remedy, but maybe just suffice to say that I think there is generally from the comparative shopping sites in Europe discontent that this remedy has had any effect and in essence have argued that they have got to now bid against Google just to appear in Google's box and that makes it far more difficult.

I just got one small thing and it almost picks up from a discussion we had yesterday around editorial content on Play Store, but there is a lot that is presumably automated in Google and one thing we are seeing is that, you know, you may be suspended from Shopping for violating certain terms and conditions that Google has and some of them may be there for good reason.

But I just wanted to understand, you know, obviously if Google Shopping is important as a property or as a unit, then not being visible on even Google Shopping will impact. I mean, it must impact on a firm's sales unless they do not really get any clicks though that system anyway. But I just wanted to understand the process, because it seems an automated process for suspension and it seems few of those suspended make it back on and I just wanted to find out whether this is a human process at all or is this an automated process.

And I think the other complaint is the vagueness of which the reasons are presented that people find it difficult to determine what they have done wrong to correct it and to end that suspension. But it is at least for smaller retailers a considerable element because maybe they have violated the rules, but they are unable to know what they must do to correct it unless there is a greater degree of human interaction. So maybe as my last question for the Shopping unit is just can you enlighten us as to that process whether there is any human element and human in South Africa.

MR CRIDER: Sure. Yes, we do have an entire, you know, infrastructure, the trust and safety infrastructure that is involved in our policy investigation and on enforcement matter on the Shopping site. So to answer the question, yes there is. I do not know whether they are located in South Africa or not. Certainly I can check and we can provide that information to you.

I think one point just to make on your comments is that I think most of the suspension events in the list that we provided to the Commission relate to accounts that did not receive any clicks over the prior 90 days or so, suggesting that they were not actively used in the first instance.

CHAIRPERSON: And what do you call that if it is not – there is no clicks or active use? What is your rep? How is it presented as a reason?

MR CRIDER: I would have to look at the individual cases as to see what the reasons were that they were suspended for, but the general tender of suspending accounts like that that were not used is either because they are misleading, they are trying to upload inappropriate content or they appear to be engaged in things like misrepresentation or have unsafe website domains or are selling counterfeit goods.

CHAIRPERSON: All right. Thank you very much and thank you. In the time we have got left I just want to cover some topics in Travel. I mean, as I think we have already discussed, Travel is probably a big vertical for Google. And as we have already discussed I think at the start of this funnel, it is part of the journey. We can debate how important part of the journey, but certainly it is a high proportion of the journey starts on search.

I suppose on Travel, you know, in 2016 you launched the Travel property on Google and I just wanted to explore with you I suppose the incentives here, because I mean it is argued at least in the Shopping case and I think more broadly that vertical search is a potential opportunity but also a threat to Google. And maybe increasingly in the mobile age if I am going to my app on my phone, I am bypassing Google entirely. Not even Play gets a head in there.

But the more that that may happen, the more search revenues are eroded from Google, it is an opportunity because obviously there are many people who advertise on those. So whereas I said some of the big travel companies spend heavily on marketing, they also generate revenues from – I mean, some of them are MSC such as the Travel vertical on Google, so clearly they are making more money from selling to whoever than they are even paying to get that position.

But it would appear that there is a strong incentive for Google to control the space and obviously not see that their revenue gets eroded and maybe drawing more revenue than they might otherwise and that is an incentive to move down the funnel from the top position on search down into the metasearch or specialist search area. I do not know if you want to comment on that.

[SESSION 3]

MS PRINGLE: So I am not sure if there was a specific question, but I want to clarify a few points to start off with. First, you know, Travel is a multi-piece group of products and, you know, Google Flights launched in South Africa at the end of 2018. Google Hotels have sort of taken many forms, but in its current form I believe was at the end of 2015 in South Africa and some of our – we have a couple of other products that are even more recent than that globally, not just in South Africa.

And for the most part those products are fully unpaid. Hotels are the only place where we even have advertising. So I also want to distinguish that, you know, while we also have a number of partners that we work with on the organic and content side, there are also advertisers. A lot of that advertising money is through text ads. It is unrelated to the Google Travel property. And then if there is a specific question that you wanted me to address with your statement, then I am happy to discuss that further.

CHAIRPERSON: I appreciate that for flights for instance currently you are not charging, but I mean we have got to look at the long game I suppose. You know, as we started out there was an ad on the right hand side on Google Search page and now look at what we have in terms of search.

So if we have to look at the long game, I mean

Google may well have an incentive to precisely monetise these and monetise in different ways. So even on Hotels as I said there may be two ads now at the top when you click through. Maybe in five years' time that will be four or five ads. It will start to look like the main Google Search page. So the static here and now does not define I suppose the longer term strategy.

You know, some might say even offering some of the free links in something like Shopping may allow you to build a bigger repertoire of information and data in order to launch something more substantive in the future. So all I am putting to you is that in these big verticals where others are active and are offering consumers currently a metasearch engine product, and let us just stick with that, we do not have to go into the OTAs that they have created over time, that is revenue that Google can target with their own metasearch engine which as you indicated is the Travel product.

MS PRINGLE: On the Hotels side at least where we do earn revenue, you know, Google has really made a push over the last several years to open that product up to essentially all commerce. For a time we were not able to support metasearches participating in hotel ads or free booking links due to technical limitations truthfully and we have since opened it up such that, you know, any industry participant that can sell a hotel room in a particular hotel that can meet our pricing accuracy and landing page requirements such that we are presenting our users with useful, safe experiences, can participate in Google Properties.

And so, you know, we recognise that we have a relationship with businesses that, you know, may also compete with Google and we, you know, made that decision essentially to strengthen the Travel ecosystem as a whole. Because you know, in our opinion what is best for users is best for the Travel ecosystem as well. So the ability to provide users with more information, more choices, more booking options also opens up that platform to, you know, smaller hotels, regional OTAs, regional metasearches, you know, that may not have been able to participate previously.

MR LEWIS: One point. I think you made a good point that it is possible to just get an app for TripAdvisor or any of these – or many other navigators and online travel agents and that does not go bypassing Google. I think that does create propensity of impetus on the part of Google to make sure that the search results it is giving if you do start your search query on Google are very useful and relevant, because it is competing for those users. It wants Google to – like any company it wants users to use its product and not a competing product.

And I think related to that, the point about the idea that the ads can be kind of expanded to increase revenue, and this is not necessarily just the Travel point, this is a more general point about search advertising. There are studies that under the public I think we can provide to you that show that if upload is expanded it might give rise to a short term profit increase, but because the quality of the margin lies lower than the quality of the average ad, you are reducing potentially the kind of quality of ads in general and that actually trains users not to click on the ads.

So there is quite strong evidence to suggest that if you expand upload in that way, the long term view this is a very bad thing to do as a business because you will train users to skip the ads that are not relevant and the last thing Google wants to do is to kind of train users not to click on ads. So that is why Google has a very – take a very long term view and has very strict kind of quality thresholds.

I think the assumption should be that that will continue to apply also for – as much for kind of individual specialised search experiences like Hotels as it does for ads that appear on the general search results page.

<u>CHAIRPERSON</u>: And I think to be honest the evidence is that threshold is fairly high. I mean, we obviously traversed at the beginning that eight out of the 18 slots on the general search page could be ads. I think in Travel in particular my understanding from CMA studies when they looked into the

travel aggregators is anything from three to five out of the top 10 results were ads. So clearly the thresholds they may exist, but there are not two ads in Google Hotels. There are substantially more.

MR LEWIS: [Indistinct 00:06:45] one point I would make is that the CMA study found that Google had fewer – a lower percentage of its search results pages compared to Bing had ads and the average number of ads on a page that showed ads was lower for Google than Bing. So I think it is fair to say that Google has a higher threshold in terms of what it is willing – when it is willing to show an add, a kind of higher kind of hurdle that the relevance has to beat than Bing does.

CHAIRPERSON: And Bing is probably, you know, not much relevance in South Africa, but I am just looking at the Travel vertical and all I am saying is in Travel verticals what we see is that a high proportion are ads. So there is a high threshold for consumers.

I mean, I suppose the question that maybe I am asking is, I mean, is this not déjà vu, Shopping 2.0 in terms of, you know, incomes at Travel. It is a big vertical. It gets a good placement on the search page and starts to draw their ads from other metasearch engines. Because it has got a prominent position obviously the OTAs, their online travel agencies, you know, cannot not be on that and do a search in South Africa and you will see those big OTAs there.

So it appears to be drawing revenue away or at least drawing eyeballs away and that may in time be converted to revenues, away from the next – one of the next layers in the funnel, which is your metasearch engines, which in some respects have a little degree of similarity to comparator shopping sites in the sense that you are not booking or buying, you are being offered with choice and that is the value that they are bringing to the consumer. So I mean why would one not see this as a similar sort of turning point?

MS PRINGLE: Well, there are a few differences between Shopping and Travel. And again, Travel is individual pieces, so I will try to take that – I will discuss Flights and Hotels slightly separately. You know, as I have explained the Shopping unit is an ad. It resides in the ad space and advertisers buy ads in that unit that go directly to their websites.

The Travel units are organic. In Flights' case if a user searches for, you know, flights from an origin to a destination [indistinct 00:09:37] if the user clicks into the Hotels property they still have multiple opportunities to engage with those other travel providers if that is where they prefer to book their travel. But they also have the benefit of seeing the prices that are offered by all of those different sites, including other metasearch engines. So they might see a price from Trivago or TripAdvisor alongside Booking.com, Expedia or the hotel itself.

CHAIRPERSON: And I suppose that is obviously what a metasearch engine does. So if you are on Trivago or Kayak as you say, that is what you are going there to find the same as Google. So I mean, it is a similar I suppose value proposition. You are a metasearch engine.

I suppose the question really from me is, I mean, is it a substantial consumer add, because I mean would the consumer be better off heading to a Trivago or Kayak, and I am not trying to punt one or two, but they are alternatives? But the way that Google Travel appears is – I mean, my experience has been always on the top of the organic. So I know you say it is an organic search, but I have never seen it slip down and that may be my limitation in search, but it appears there.

I am not told this is a kind of metasearch engine. It has not got like an ad if Kayak or Trivago was above that and I am taken into experience of Google, but who is to say that Google Travel is a better product than one of the others that warrants that better placement?

MS PRINGLE: Again the unit is ranked by our search algorithms that take into account all sorts of different signals and compare different websites and other different, you know, pieces of organic content that we place on the search results page. And you know, we hope that users think that our search product is the most useful to find – to help them find a hotel, but you know if they do not think so, then they have many other options to go either to the blue links or even once they get into the Google Hotels property there are many links off to explore, you know, either the hotel website itself or to go and book or explore further hotels with another party.

CHAIRPERSON: I mean, as you say, it may not be the best. You hope it is useful to the consumers. But I think that is the – that may be the concern from a consumer perspective. I mean, I am interested when you say that it is handled by your normal organic search, because obviously it is quite different to any other text ad because it has got pictures, it has got, you know, visual content as well. So do those factors factor into the algorithm because that is an improved quality of ad?

MS PRINGLE: So again, it is not an ad but maybe I will [indistinct 00:13:12] explain a little bit perhaps if we can about sort of how the search algorithm deals with different pieces of content. Because, you know, if you search for a movie title for example you might see a combination of blue links or movie times or information in other formats as well.

MR KANE: So as Abby was mentioning, this is right. This is, you know, one of the more complicated things that we have to do as we are ranking content on the search results page to figure out how a Travel unit or hotel unit should rank against 10 blue links or other information that might show up on the page.

One point I want to make is we do run studies fairly regularly where we effectively bleed certain quality signals for a very small portion of users to see how users will react if we effectively show what we consider to be less relevant or less useful information higher on the page. And what we see time and time again is that as we surface less – lower quality content higher up on the page, users go down. They look for more – look for the higher quality content and they do not specifically just stop at the top.

CHAIRPERSON: But in terms of the specific question, I mean the fact that this result is rendered with lots of visual content and also when it is rendered takes up a fair amount of space because you are listing let us say a few hotels or a list of flights, I mean do those factors resonate with some of the basic search algorithm for organic results or not?

MR KANE: I think the answer there is yes. You know, the more information we have about a result, the more pictures we have, the more information we have about your ability to buy whatever the price might be. That will result in your – in that result surfacing higher and if we have that information in a Travel unit, in a Hotels unit, it will likely result in that surfacing higher because it is going to be more useful and relevant to the user as they are looking for that information.

CHAIRPERSON: And I would imagine that and it probably has higher conversion rates, which probably also feeds into the algorithm. Because clearly when you do render it as an ad if people have clicked on it then it is seen as useful. But I suppose the one difference apart from the fact that it seems to have a natural advantage is obviously that it is the only one displayed in that. So the fact that Trivago or Kayak is not rendered in that way, it is pushed down the search results and so the general algorithm must provide or I think as you point out, does provide an advantage to it.

So just the way it is rendered to the user gives it an advantage and that probably explains why in my experience it has always been the first add after the – sorry, first organic result, thank you, I saw you flinch there, after the ads. I mean, is that not fair?

MR KANE: So one bit that I noticed is that if we saw users moving past a Hotels unit or a Flights unit to go to Trivago, to go to Expedia, to go to another OTA, that would eventually get baked into the algorithm as we understand that those are the results that users want to find. And so I think the presence of additional information around a result, you know, in terms of a picture, in terms of price is certainly useful and will help the user, you know, make the decision that this is what they want – essentially what they want to purchase or where they want to go, but that is not specifically determinative of where the unit will rank. It really does come down to kind of what user behaviour shows us.

CHAIRPERSON: And users like pictures, that we know.

MS PRINGLE: Can I just make one other, which is that, you know, the hotels that Google displays in the Hotels unit, you know, those are not – they are not presented there by partners per se, but you know the hotels themselves often are small businesses.

And as we mentioned, you know, by claiming your business on Google My Business a business owner has an opportunity to improve the listing to, you know, add photos, make sure all their information is up to date and better listings are ranked higher and that, you know, gives that hotel an opportunity to show up, you know, to users in a way that might not otherwise based on its own website.

CHAIRPERSON: And I think that is, you know, obviously a fair comment. Obviously there is ads that start that journey at the top of the page. But I suppose other MSCs will have the same criteria or they may differ to Google, but you know, they will also have on their search rankings determine where people lie based on what information they have provided, the quality of photos. I think we hear that quite commonly.

I mean, I suppose the one concern is that this is, as I said, déjà vu. You know, comparative shopping sites take two, travel industry beware and I think what we have seen is that almost all your big global travel companies have put in their SEC filings that this represents a risk to their business. So certainly they see it as a risk. You may disagree, but they certainly see it as a risk.

I think for some of the South African platforms as we have heard today even is the other risk even if I am not big enough to be bidding into the ad words or I am not a big platform is it pushes organic search even further down. So even if it had half a chance of getting above the fold, it is now probably scroll three and that in the battle between big metasearch engines is maybe potentially a casualty for some of the smaller platforms in a country like our own. I do not know if you want to comment on that.

MS PRINGLE: I wonder if one of my South African colleagues might be better suited to comment on the South African market as I am not as familiar.

CHAIRPERSON: Well, I think it is not a South African specific thing. I mean, factually if that advert is rendered – sorry, I think we got feedback. Thank you. If that travel product is rendered at the top there after the adverts because of its various features, it is a big property because you are listing a number of hotels with pictures and it is in a vertical space certainly on a mobile phone, which means naturally, I mean, it is a natural consequence that the first organic result must be further down the scroll. I mean, would you not accept that? It is just a natural consequence.

MS PRINGLE: In cases where the Hotels unit is ranked at the top, that would be a natural consequence.

CHAIRPERSON: And if consumers were less or less often going to scroll down as we sort of discussed earlier, then it may be that organic search impressions, because whether they are even seen or not, as I understand is the impression and potentially the click through may be affected. Is that not a natural consequence too?

MS TAYLOR: I think you are raising quite a broad suite of points to be honest that are quite hard to give a one-line answer to. I am not sure you are jumping off point that, you know, Shopping and Travel units – the Shopping unit is the same as the Travel and the – sorry, the Hotels and Flights. So I am not sure we would agree with your jumping off point that Travel and Flights is equivalent to the Shopping unit that has been looked at in previous cases. So I mean, I think if this is a point you want to explore, it is a bigger discussion than I think we can do in a two-line answer.

CHAIRPERSON: Ja, we may well disagree. As I said, I think it seems that certainly those that have been historically reliant on Google to draw customers to their sites and platforms, they tend to be in agreement that this represents a threat to them.

MS TAYLOR: That is a different point, with respect.

CHAIRPERSON: Whether they are right or not, we will see.

MR LEWIS: I think it is important to distinguish between South African businesses, maybe hotels who as a result of the unit are which is as we say is organic, so it is quite different to the Shopping unit, are potentially getting three clicks because essentially the user clicks on the Hotels unit, that takes them to the Hotels page and I think you can calculate from data that we provided that a very small minority of clicks from the Hotels page are actually ads and the vast majority are free. So the result of the Hotels unit showing is that potentially small businesses in South Africa, small hotels are going to get more free traffic and as a result the unit. So I think that is an important consideration.

And the other thing that I would like to say about making comparisons to cases, I think it is quite difficult to draw comparisons across cases. And we have also had the street map case in the UK which was a High Court case where the allegation was that by showing a map Google was foreclosing competition from other map providers. And the Judge in that case said that is a – that did not have an appreciable anticompetitive effect and even if it did, which was an even if type argument, he said that it was objectively justified and there was not really a better way of responding to search queries looking for local geographical information. So, I think you could equally say well why is it not like that case, you know, and that is a case where the Judge found in Google favour.

<u>CHAIRPERSON</u>: Ja and that is the whole point of this debate I suppose and I take your point and we are obviously continuing to engage as I indicated at the beginning of this public hearing we will have in-camera sessions because you are limited in what you can say and respond with as evidence because it may be confidential.

But I just wanted to explore with you, you know, these are some of the things that are coming up and I wanted to engage with Google on that debate. Because at the end of the day, you know, we need to make findings and those findings need to be underpinned by evidence and they should be robust because we do not want to move in and make remedies where none are required.

So I think it is just important we have those debates and I suppose the flavour of today is just these are the things that are coming to us from other platforms. These are what those raise in terms of, you know, in essence considerations that we need to explore now and say we cannot ignore that avenue, we must go down that avenue. We must see whether there is any merit to that or not. So I think that is part of the purpose.

So and I think, you know, the engagements we will have over the next few months will precisely try and get to some point on these so that we can see whether, you know, what is maybe the view that we should be taking. So look, I am going to end here for the evening. I think there was only one last question from me which was just on Travel, the Google Assistant, so the voice activation on your mobile phone, I mean we have noticed that if I say hotels Cape Town I go direct to the Travel property. I do not go to the Google Search page and I just wanted to understand whether the Voice Assistant is becoming a bigger part of Search or not.

MR LEWIS: I think I will probably let the Search Team answer that one as we actually do not have a dedicated Travel Assistant Team.

MR KANE: I will note that. So the Search and Assistant Teams are two separate teams in Google. There is of course discussion and coordination between the two, but how the Assistant product decides to route queries is – I think a different team is probably best situated to handle that.

The other point I will just make very quickly is just that the Google Assistant is one of many assistant tools on mobile devices and so, you know, there is Alexa, there is Cortina there are other assistants out there. So, we need to basically I think nail down exactly which assistants we are talking about in order to be able to speak effectively about what they do.

CHAIRPERSON: Ja, no I think if we could – as I said, on some search queries through voice I end up in the Google Search page, others I go direct to the Travel. I think we are interested in why is that the case and what do you see as the future of voice assistants, whether this is going to become a big part of search and much like we moved from desktop to mobile, whether we are going to be looking at more mobile to voice assisted search.

But with that I would like to thank again Agnieszka for coordinating the team. I am glad we had people from across the globe that could assist us. We really appreciate that and again the respect and assistance that Google has provided to this inquiry. So thank you very much and enjoy your morning if it is LA or your evening if you are in London too and I do not think we are seeing Google again for the public hearings, but we will be in contact over the next while to take these engagements further.

MS MOLDACH: Thank you, Mr Chairperson. I thank you very much for your time and your questions this afternoon and evening. We remain at your disposal to continue the discussions. You have raised a number of points. We would like to have the opportunity to take further and discuss in more detail in the setup we can. So thank you very much for that and I guess we will be in touch.

CHAIRPERSON: Thank you and that brings an end the proceedings for today and tomorrow we will resume at 10:00 and I think in the morning we have got an accommodation provider who sits on platforms and also a bus company and in the afternoon we have got two local travel platforms, Travelstart and SafariNow. So thank you everyone and we will bring to a close tonight’s session.

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