



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

***DTI Building
Sunnyside and virtually via MS TEAMS***

on

15 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

Itumeleng Lesofe

CCSA Internal Team

Donnavan Linley

CCSA Internal Team

Sivuyise Mtiki

CCSA Internal Team

Aphiwe Ntando

CCSA Internal Team

COMPANY: EXPEDIA



Gauteng Transcribers
Recording & Transcriptions

MR MONOD DE FROIDEVILLE: Yes, you have that right.

CHAIRPERSON: Well, it took a bit of training in the break. [laughs]

MR MONOD DE FROIDEVILLE: [laughs] Well, actually, [laughs] despite
5 my very French name, I am actually Dutch.

CHAIRPERSON: Ah! Interesting, very interesting.

So, Mr Monod or Jean-Philippe, you are from Expedia. I want to thank
you for making time to come join our public hearings and provide insights
for us. I think there is, probably, a lot we can learn from an international
10 platform such as your own. I am joined by my fellow panel member, Ms
Doris Tshepe, and she is going to just proceed with some questions and
then I will join in later if there is anything that has not been covered. But
I do believe that you have a presentation.

MR MONOD DE FROIDEVILLE: Yes.

15 CHAIRPERSON: Aand, so, why do you not start with that? And then
you have finished we will proceed with questions.

MR MONOD DE FROIDEVILLE: Okay, so let me see if I can get this to
work.

CHAIRPERSON: Ja, Jean-Philippe, I do not – it seems you are frozen
20 from our side. I do not know if you can still hear us?

MR MONOD DE FROIDEVILLE: Can you hear me?

CHAIRPERSON: We – ja, we – you froze for a while but in a very
dignified manner. You will be pleased to know.

MR MONOD DE FROIDEVILLE: [laughs] Thank you very much for that.
25 I have seen worse.

CHAIRPERSON: [laughs]

MR MONOD DE FROIDEVILLE: So let me try again. I do not know what happened. I was trying to share and then everything froze. So, I am
5 coming back to this right now. Just let me know if you can see the presentation.

It cannot display content. Ah! Let me just try again. I am getting an error. Is there – do you need to provide me with permission or...?

CHAIRPERSON: I am not the most technically minded myself but I will
10 get – I have just asked the technical team here to see if they cannot put it up for you.

MR MONOD DE FROIDEVILLE: Ah, it is – it is – what is happening here?

CHAIRPERSON: So we will see if we can put up for you, Jean-Philippe.

15 MR MONOD DE FROIDEVILLE: Ja, that would be...

CHAIRPERSON: And you can just indicate when you need us to move to the next slide. So let us just see if the technical team can get that right.

MR MONOD DE FROIDEVILLE: Yes, let us try that.

MS JEAN: James, might it be easier if I share because I think you have
20 got ...[intervenes]

MR JAMES: Yes, if you could.

MS JEAN: ...version. Okay, I will do that.

CHAIRPERSON: Alright, thanks, Jean.

MS JEAN: Okay, presentation mode.

25 MR MONOD DE FROIDEVILLE: Yes, wonderful.

MS JEAN: Okay.

MR MONOD DE FROIDEVILLE: Yes.

CHAIRPERSON: Thanks, Jean, we can see. We do not have it in
5 presentation mode yet but at least it is visible.

MS JEAN: There is nothing else there.

MR MONOD DE FROIDEVILLE: Ja-no, that is – better than I could
arrange from here. So while we wait to get presentation mode, let me
introduce myself. So I am Jean-Philippe Monod. I am responsible for
10 Expedia Groups Global Corporates and Government Affairs. I am based
in Brussels, Belgium. And our company's headquarters are based in the
United States in Seattle. We are not an entirely new company to the
market. We have been around for around 25-years and have been
operating with various different brands and in South Africa, that is
15 Hotels.com. Jean, I do not know if you – I think it is the button on the
bottom with the - after the little minus sign. There is that little thing.
Yes, right. Yes, that one. Right next to it. Yes, that should be connects
to presentation mode. Let us see if this is working.

CHAIRPERSON: Ja, otherwise, Jean, if you just try and increase the
20 display size ...[intervenes]

MR MONOD DE FROIDEVILLE: Ja, ja.

CHAIRPERSON: ...by hiding the notes or dropping the notes, then I
think that would help. But Jean-Philippe, please proceed.

MR MONOD DE FROIDEVILLE: Yes, I will. So if the – if Jean, if you
25 could move to the next slide but if not, then I will just talk through. So we

would love to introduce, of course, Expedia Group to you our business, our brands, our presence in South Africa, how the market works, some of the competitive nature, dynamics of the travel industry, how Expedia
5 plays in that. And then lastly, some areas for discussion, that has been raised by you earlier by the Competition Commission for further discussion. So, Jean, I do not know if it is possible to go to the next slide?

MS JEAN: Ja, it does not seem to be working. Sorry about that.

MR MONOD DE FROIDEVILLE: Maybe there is something wrong with
10 Teams' connection on sharing content because I have – mine, actually, did not allow to do anything but – otherwise, I may have to do – just talk through the general story. So, while we are trying to figure it out. The – I think the important thing is. So, Expedia, it is a global online travel company. What we focus on is really trying to focus – to power all travel
15 providers and all suppliers and bring them together. So that means we work with hotels, we work with airlines, we work with car rental companies activities, small and big.

And on the consumer side, we work with – through different brands. So I am glad that at least this light is visible so you can see a
20 couple of the brands that we have in the market. So Expedia brand which is not active in South Africa. We have Hotels.com. Okay, so that was the end of the presentation. [laughs]

CHAIRPERSON: Jean-Philippe, we are going to try put it up from my side.

25 MR MONOD DE FROIDEVILLE: Oh, that will be amazing.

CHAIRPERSON: But I think just carry on talking through and while we get the technical team to do that.

MR MONOD DE FROIDEVILLE: Thank you. So there are various other
5 brands are – in the market are our US folks brand. So Travelocity and
Orbits. We also have... Let us see. Yes, there we are. I think we – if we
can go back one slide, please?

And I think you can see here our brands. If not, then I talk just about ...
So we have around 3 million properties on our site, more than 500
10 airlines, 150 car rental companies, 10 000 activities, plus – and a lot of
cruise lines. And, really, our aim is to be the best company to bring the
value to both sides of the equation. The travellers, the most importantly,
but also, of course, the suppliers who have difficulties, sometimes, finding
their international travellers who are located everywhere which you have
15 to then have to be in local currency with local marketing.

The point to make about – let me just see if I can look at my own
notes here while we have no presentation. I think it is important to know
on our partner side just to explain how we work. So we – I just – thank
you. So these are the brands, as you can see. I have not mentioned
20 Trivago which is – so I will not be focussing in detail on Trivago. Trivago
is metasearch company that we have the majority on but not wholly on
which is operated at arm's length from Expedia Group.

All the other brands are more on the transactional side. So we
are the one that brings the parties together and concludes the
25 transaction. We also have a business and it is not a specific brand but it

is important to know. A media business and the media business, which is generally not as media solutions, is also providing marketing function for both suppliers as well as destination marketing organisations, tourism
5 boards.

We have worked with the South African Tourism Board. And lastly, we had a corporate travel business. You can still see it here on the screen but it is – last week we ...[indistinct – distortion] [00:12:32] that company called Egencia which is now owned by American Express
10 Global Business Travel. Perhaps – I do not know if you can go to the slide number 6?

That shows our website in our activity in South Africa. So this is our brand, Hotels.com. As you can see, it is localised(?) site. The purpose or the site allows any traveller to book – travel anywhere in the world but,
15 likewise, on the other side we, of course, have our various global websites that allow bookings with South African travel providers for the international travel incoming. We work with two different business models.

One business model allows the traveller to pay directly to our
20 systems and we then arrange payment with the travel suppliers. The other model – and so this model we call the Expedia Collect Model. The other model that we have is the Partner Collect Model where you actually go to your department. Your booking is made but once you actually check-in, you pay at the partners as you pay at the hotel, and then a

separate fee after the stay, there is a settlement between the partner and Expedia Group in terms of the commission.

So both models are in the market. And sometimes the hotel
5 works only with one. Or the other market model, sometimes it is a mixed
model and in that case it is up to the traveller to decide whether they want
to pay now or want to pay later and then depending on the choice of the
traveller, the one of the two business models is executed. As I said, in a
way our third model but it is – that is not really a business model but that
10 is our advertising arm and there the revenue is not on a basis of
commission but on the basis of cost per click.

So there we generate to other blind companies like Google per
click. And, you know, that works for the different sites globally that we
have where people could place advertisements on the site where each of
15 those clicks is generating money and then flows, sometimes, to a
destination page, sometimes directly to the travel supplier where then the
traveller can concludes the transaction on the page of the travel suppliers.
So those three models we operate.

I think it is also important to note how our market works. It is the
20 fact that we make all of our costs upfront. If the hotel, for example, wants
to work with Expedia Group, they can sign up at no costs and they can
stay with us up until a first booking occurs. Only then there is a payment
and the payment only occurs when a booking is made. So people looking
at hotels but ultimately booking somewhere else.

Obviously, that then does not trigger a payment for the partner. So there is really a model where – only when the hotel actually generates income because there is a booking, is there a payment for the partner so that as opposed to a Cost to Click Model where, of course, every review generates costs but not necessarily a transaction. If you could please move to page 7, then you will see how that works.

So at the moment you do a search, you click on the hotel you would like to get more information about and you move from that listing view to the second column where you will find further details of the hotel, the pictures, the subscription, amenities, et cetera, and the different room types. Then you choose your room type and then you get to the last page which is the check-out page where you have a summary of your choices, your check-in, check-out, what type of room. Then the price with the split out, the taxes and fees and then your total price. So that is how the site flow works. If you could please move to slide number 8?

You were also interested, of course, in the competitive dynamic. So where do play? I think it is important to note that in the travel industry you have a multitude of players that are all in competition with each other. For consumers there are often and or in the same search showing up. So these are the online intermediaries. In this case, of course it is separately.

I am mentioning the offline travel intermediaries who are often also working with a company like Expedia. Something I should have mentioned when we were talking about our different brands. There is –

those are the consumer facing brands but we also have a B2B brand which is Expedia for Business and Expedia for Business is providing our access to the inventory to other partners and those could be online travel
5 agencies who do not have their own inventory but only have a website or it could be offline travel intermediaries who are working with us and potentially the so-called GDS's, the Global Distribution Systems, like Amadeus or Travelport or Sabre.

And we in that same provision are providing our products to the
10 offline travel intermediaries which can be standalone products or packages. We are also in the competitive landscape with tour operators who can be both offline as well as online but it can also be a partner of ours where we have certain content of the tour operators which we are then providing on our sites or the other way around where certain tour
15 operators are partners of Expedia Group in our Expedia For Business' part of the business.

Clearly we are in competition with the websites and call centres to both the travel suppliers. So I think about the websites of the hotels and the Marriott's but also the smaller players where you can directly
20 transact on those sites and those sites would be visible either directly through a search on Google or through other metasearch channels. We are in competition with wholesalers, consolidators and sometimes also operate on websites or provide on their content to us or to others.

We have, of course, the search websites that are usually the first
25 point of call for searches. And hopefully I will have the opportunity to

5 speak about that later because we do have some serious concerns with the way Google operates in the market. And connected to search is the virtual search which also Google is active in but we also have other players in that market like TripAdvisor or our own brand, Trivago and those are the metasearch sites which are the step in a way before you then conclude your transaction but it could be both an inter-brand as well as intra-brand. I think we should go to slide number 9.

10 So this is the, I think, some of the highlights of why people partner with Expedia. It is important to notice that if you are a small South African hotel and you would like to reach a Japanese audience, a Chinese audience, a US audience, you need to have the expertise in terms of the local payment methods, local marketing, local language and this is exactly what we bring to our partners.

15 We allow them this access point to those markets for free and only payment when a booking is made. Well, of course, we do invest upfront for our partners to make sure that their websites, their information is integrated into websites, that we translate that into those local languages, that we create the necessary payment methods for our partners. We also have a platform that is quick.

20 So we make sure that travellers have an easy way of transacting with us, that information over partners is easily found and that if they have certain discounts that those are clearly visible but also provide insights for our partners when it comes to the performance. If certain period of the year is an attractive period because there is a lot of demand, we give

25

them those trends through inside data insights and therefore help them be more productive and more efficient in their display and in their pricing.

As I said, so that those are the technologies and the tools that we provide also for free, therefore, to our partners. Moving to page number 10. Of course, things have not been are still not extremely positive for our industry. You will have spoken to many in the interviews that you have had. Our industry has been badly hit. We can say in the first month of the pandemic we have lost around 90% of our business and so you can imagine that those are not easy days when there is no money coming in but there are a lot of refunds to be paid out.

We did our best to make sure that we were capitalised to fulfil these obligations but as you can imagine it is not an easy ride. Therefore, in 2020 and 2021 we had to significantly cut our resources, staff at Expedia Group in order to – well, to make sure that we balance the income. We have lost about half of the business, ultimately, in the pandemic year but at the same time we have also taken our responsibility as much as we could to provide relief to our partners and to our travellers through different means.

Firstly, we have created a relief fund for our partners of 275 million where we have provided credits to our partners based on their work with us in the past. We have reduced commissions and we have provided specific marketing opportunities at reduced costs where we were coinvesting with our partners. We have created an academy for

those that may no longer be in a job but who were trying to re-enter the markets, people that were in the hotel industry that were without a job.

So we have created courses, training, all of those travel workers
5 that would fall out and were partners of the time at home. We hoped to create these courses to help them gain additional skills in the online world. And we have also looked at our cancellation policies, getting a balance between helping our travel partners as well as our travellers in having where these possibilities existed, vouchers for the travellers such
10 that there was not all business lost but also not, let us say on the consumer side, an investment lost.

So really trying to get the best for both sides as the market reopens. Moving onto 11. So as I understand, there are a couple of things that we have saw that you wanted to discuss. So the first
15 difficulties faced by Expedia is planning and establishing itself in South Africa. Issues around Google travel. Google flights. Google hotels. Trends around bundling, packaging, offering, consumer behaviour. Do...

The question around benefits and we would have lowered prices offered by hotels under no pricing parity, the MFM question. The OTA(?)
20 relationship with metasearch sites and transparency of sponsored ranking and how it has affected consumer choice. So let me start with the first one in terms of the difficulties faced by Expedia expanding itself in South Africa.

I think one of the key things, of course, I have mentioned already
25 in the beginning is the fact that the market has been under enormous

pressure and the volumes have collapsed in 2020 and are slowly recovering. Growth markets are still to a significant amount closed or ...[indistinct – distortion] [00:28:24] testing and quarantine requirements, 5 that it is practically impossible to enter markets and that creates a problem on the coming into the country of South Africa side but it also creates problems on the leaving the country where our travellers are from and with the potential risk of maybe having to go into quarantine when they return.

10 And so this is a very specific and hopefully a temporary difficulty but at the moment that is a specific issue that makes it difficult to establish and invest in the market. The other point, of course, is the fact that there is not always enough air capacity for us to bring in travellers. There needs to be enough air capacity to bring in the travellers into South Africa and 15 we do see that as an issue that the air capacity is not there.

And now you can say that is a chicken and the egg discussion and it probably is but it is, of course, a limiting factor. And generally, the vastness of the market and sometimes difficulties in making sure that we have the right investments in marketing, the different parts of the country 20 and of course people know Cape Town but all the rest. I think there is a challenge in making sure there is opportunity.

However, I can say and we are in close discussions with the South African Tourism Board and we are always ready to work to expand and establish further marketing risks and for South Africa. The second 25 point. I do not know if – maybe I should stop? I do not know if you – if it

would be helpful for you to ask questions at each of those issues or that you would like me to talk through all of the issues and then go back to each of them. What would be more preferred?

- 5 CHAIRPERSON: I think finish the presentation and then we can close that presentation and then we will come back with questions.

MR MONOD DE FROIDEVILLE: Okay. So the second point is related to the marketing side. So I think it is important to see that Google is the key channel for travellers to start their search. They often do not even
10 bother typing in Expedia.com or Hotels.com but actually just type in the basis, so forget the www dot. And so that already gets us in the search engine because you type it in the search bar and then automatically the search engine takes over if it is not a valid email address that you typed in.

15 And then we were already in Google search world and often paid and even people type in hotels with Expedia, you will see branded searches appear on the top of the search results where we actually had to pay its an add not a natural search result. But as you can see, Google is the main entry point and is also a dominant entry point, it is a dominant
20 search engine market shares of more than 90%. And then funnelling the traveller into their own vertical search products.

So you will see on the next slide that if you do a search for hotels in Cape Town, what you will see is first the ads of Google and those are what we call SEM, Search Engine Marketing. And then in the former

days, you would actually see the organic search results. What Google has done over the last ten years is roll out their own verticals.

But instead of actually competing on the merits on the search page, it overrides its own algorithm and just below the ads puts a very big insert which is the Google metasearch unit where you will see random hotels and the map and whenever you click on any of them you are not going to that hotel to make the booking.

You are actually going to Google's own metasearch page which is in direct competition with all of us in the market. And then you type in your travel dates, further or details of the type of hotel you would like, luxury, cancellation, et cetera. And then you get to the page and then the last step is that you are connected to those that are offering their or bidding on those hotels. For example, Expedia Group or others in the market.

And as you can see, the flow is – mostly people start to search on Google, then they see a screen that is filled with ads and then a map and then way below, the so-called falls, there are all these organic search results. So people do not really get there at all. Click on something fleshy. Yes, so a couple of pictures of hotels or a map. Automatically you get transferred to Google's own OTA booking/metasearch page because you can also book on Google.

And then you are actually taken all the way to the end of your choice for a specific hotel. And then the last step is the "fulfilment" quote on option just that you are brought to if we were bringing Expedia and

then you – the only page you will see on Expedia's website is the check-out page. So what is happening to the experience of the consumer is that first they are funnelled into Google through the general search page
5 where this big insert, this metasearch unit is.

And then it is a bit of bet and switch mechanism, as I would like to call it, when Google is then trying its vertical search product to general search and then in the vertical search product the hotel finder, hotel price and products, the search functionality is, of course, only that of Google.
10 So all of the investments that Expedia has made in order to have the best experience for travellers in terms of the different types of amenities, the fact that you can sort on distance to a specific highlight, you can sort on the star rating, you can sort on consumer reviews. All of that functionality that we have invest in is actually not seen by consumers.

15 So it is very possible that those consumers are actually not really ending up on the most relevant search results for them but are only funnelled by Google's product into a search result and then lead the consumer to the check-out page of Expedia. At the same time, also, it does take out the ability for Expedia to offer the packages and we will
20 speak about that and I think it is most slides but the more consumers are funnelled through this, the less they are exposed to all the other offers that we have the ability to get a better product through the connections with an air ticket.

And we do have some significant concerns with this product of
25 Google. We think this self-preferencing is problematic and as you would

very likely know, the – in Europe the European Commission, European Bargaining(?) [00:37:22] Council are currently looking at the so-called Digital Markets Act which would make this self-preferencing an illegal
5 practise.

We have also seen and I am pretty sure you have also seen last week, Wednesday, the decision of the European Court of Justice in Europe having taken the decision that the Commission that had it right in the shopping vertical where Google's use of dominance has created
10 similar problems and where the Commission's find an approach have been supported by the court.

So I think it is really something that we see as a problem in the market which will increase costs for distribution, it will reduce choice for consumers and will create issues for travel companies because it is
15 making it more and more difficult to get to those travellers through the investments that the companies make themselves on their own websites. Perhaps moving to the next slide. So this is around the package offering. So as I said, we are providing other products as well in our offering.

So you can always – you have a flight and a hotel. If you have
20 a hotel add a flight or other activities, cars. And what is interesting for our travel suppliers is that if they have, let us say, excess supply, think about a big conference especially these days, a big conference that is happening in Johannesburg or in Cape Town where the hotel ultimately gets a cancellation of this conference due to – well, certain reasons of
25 why and maybe it is because of the fact that a lot of people are coming

from a certain market where they are not allowed to leave, that leads to problems for the fact that that hotel had suddenly a lot of excess supply rather than putting all of that supply in the market and potentially having
5 to decrease its price.

Because it is – and is creating – and has a lot of supply, what hotels and other travel suppliers can do is work with us and provide us a discounted rate for packaging which if we bundled that with another product, we could discount from multiple travel suppliers where the total
10 price is really interesting for consumers but consumers cannot see who actually was providing that lower price because if you do it – look at it standalone the hotel or the airline or others are still able to price at their normal standard alone rate.

These combinations are therefore really interesting and but not
15 only interesting for consumers they are also very interesting for our travel supplies. And that brings me to the next slide, number 16. Because those travellers often book more trips on an annual basis. So they are recurring visits. They generally book early and that is, of course, important for a hotel because it helps them revenue manage. They spend more, they
20 stay twice as long, and they are a lot less likely to cancel. I think around 40% less likely to cancel.

And standalone, therefore, is shorter, booked more shorter, shorter before the actual stay, and have a light more - highly likelihood of being cancelled. And that is why this actually is a very interesting product
25 for our travel partners and for the traveller. And these products are, of

course, when you back to the earlier issue, not going to be accessible for travellers when they through Google's channels.

To the next question, number 17. So this is the benefits
5 likelihood of lower prices offered by hotels on a no-pricing parity that outweighs the cost and likelihood of the freeriding. I think the real important point, as I have said in the beginning, is that the – none of our partners actually has to pay anything upfront but we have to make sure that we put investments in, translating the websites, the content of the
10 travel partner, the hotel, making sure we enable the local payment methods and invest for our partners.

About half of what we make we invest in marketing and that is, of course, to a large extend, on the search. Those are all costs that are then taken by us but there is no payment for any of our partners only up
15 until a booking is made. As you can imagine that if it is always cheaper to book direct, then our investments are in a way done to attract those travellers so that they can see the pictures, the review, the availability, the pricing, and then they, therefore, afterwards look directly for that hotel partners and they book direct and that is an unsustainable business
20 model.

In addition to this, there are, of course, travellers that are not so – not able to find all of these alternatives and for those travellers it is in a way also trying to limit discrimination of those travellers that are not so savvy in comparing, that they would always be paying more than the
25 actual price.

And I think it is important to note that we have seen and in various other markets that the price that a hotel was offering when there was this discussion about whether a higher or lower rate should be on or
5 the other channel, that it was often just the fact that they increased the price on the online travel agency and so it was not directly really benefitting the traveller, it was just only increasing the price on the OTA channel.

I think the freeriding element is an important point that needs to
10 be balanced and has been balanced over the last, I would say, eight years by the different competition authorities and I think they had landed on the fact that there is a good balance to be found between allowing the hotels to provide a lower rate when people call them, when people walk in, when people email them.

15 So all the – the offline world or are in their own loyalty programme but that there is still significant justification towards that – the negative effects of freeriding when it comes to their own distribution channel. So that would be a different situation between what we would call a narrow YMFN and a wide YMFN where - YMFN end we do not
20 currently have in South Africa.

So it is allowed for a hotel to price differently on different channels, different online travel agencies. They have the – they can price whatever they want on their own offline channel, their walk-in. But when it comes to their own online website and not their loyalty part of the
25 website but their public facing part of the website, that is where the

biggest risk of freeriding is and that is where we ask our travellers not to be discriminated against when it comes to pricing.

5 Coming to point number 18 or the slide number 18. The relationship with metasearch sites, metasearch ...[indistinct – distortion] to market. As I said we do work with the meta-sites. We actually never owned meta-sites, as you can see with Trivago. The biggest issue is when metasearch actually owns general search and I already highlighted this point.

10 This is where those two markets are tied or general search is then automatically connected to metasearch by Google in their hotel price ads, metasearch products. And also, therefore making life difficult for any other meta player to be visible. So the consequence of this behaviour is now that we have a situation where Trivago is then participating inside of
15 the Google hotel price ads products which then after that still so it is a meta on meta.

So our concern is not so much what happens in the meta product but the fact that Google is able to self-preference in the general search results and that is where a remedy needs to be applied. Number 19, if I
20 may?

You have asked about the transparency of the ranking and I think it is important to describe how our ranking works. So, first of all, when we provide a response to a search the traveller has the ability to sort in – by different ways, as you can see here on the screen here some of them are
25 mentioned, not all, but you can see such short buy featured and star

raking, distance. You can rank by consumer reviews. You can rank by star ranking. All of those. And of course by price. Those are all different sort functionality that the consumer has.

5 The features one is what we consider to be the best value for money overview for consumer. And so, how does that work? We have two main factors in the sort – in the featured. It is the competitiveness of the offer and it is the quality score of the hotel. The competitiveness of the offer is of course looking at it. Is that hotel in that area in that time of
10 year a good deal?

 Meaning, so we are not comparing a four star hotel near the airport in Johannesburg to a four star hotel in the centre but we are comparing the competitiveness of that offer, of that hotel to its peers in that area. And with that, it can have – it gets a certain score. And each
15 of the hotel types will get a score. And so you can have a very competitive two start hotel or you can have a very competitive five start hotel. They both be valued similarly on the – on that element of the sort of the ranking algorithm.

 The other element is the quality score. Meaning, is that hotel
20 valued by travellers, good consumer reviews, have we had problems with that hotel, for example, double booking or consumer complaints calling a call centre. All of those points get into the algorithm. And then the combination provides a location in the ranking. At a certain point, those two factors could lead to certain hotel, a five start hotel being in the

service part(?) and another four star hotel that is completely in another part of the area being in the same bend with.

And if those hotels are the same when it comes to their value for money for travellers, meaning in terms of the assessment of their competitiveness and in terms of the assessment of the quality of the hotel. Then our algorithm takes into account a tiebreaker. That is when a tiebreaker comes into play and that is the compensation that the hotel pays to us.

So the moment that actually it makes no real difference to a consumer because they are all in the same bend with of value for money than it is conversation that breaks a tie. But it is not possible for a hotel to pay us such they can trump another hotel that actually has a lot better value for money and higher quality score. So you cannot buy yourself to the top. It is only to make sure that there is an ability to break the tie for those hotels that are similarly ranked. We are disclosing clearly to our travellers how this works.

So you can see the big text underneath, how much we get paid influences your sort order which then provides a whole – a lot of detail once you click on that, which as you can see now here on the screen, which is the information that I just explained to you as well. If you can move, please, to the next page number 20?

So we also have specific advertisements. So just to be clear. These hotels are not paying us commission but these are paying on a cost per click basis. So this is really an add. And those are then clearly marked

to consumers as an add. So consumers can see when those listings are in fact paid for directly by the hotel to be there where they pay if somebody clicks on them versus those that are part of our sort order. I think that is
5 it. That is our last slide. Thank you very much for the time to take you through this and I am happy to answer any questions you have.

MS TSHEPE: I think it is my turn now to try your surname. Good afternoon, Jean-Philippe Monod. I hope I got it right.

MR MONOD DE FROIDEVILLE: Wonderful.

10 MS TSHEPE: Thank you.

MR MONOD DE FROIDEVILLE: Absolutely.

MS TSHEPE: Thank you so much for that presentation and for providing us with insights of Expedia. We really appreciate that and we appreciate your time. I just want to start with the – you – in your presentation you
15 referred to your parity as a narrow parity price in South Africa. I just wanted you to be clear on that because our understanding was it is a wide parity and I just want to be clear that we understand each other. Is it a wide parity or not?

MR MONOD DE FROIDEVILLE: Yes. So in South Africa, our contracts
20 if you sign up to Expedia you have narrow parity only and there is no wide parity and I am talking about hotels here in specific. I cannot speak in general for airlines because these are all very bespoke contracts and also the market dynamics are very different in air. The discussions with airlines are different when it comes to parity but when it comes to hotels,

we do not have a wide MFN but for the air site we still do ...[indistinct – distortion] if that is a ...[intervenes]

MS TSHEPE: Yes.

5 MR MONOD DE FROIDEVILLE: ...or not.

MS TSHEPE: So yes, thank you Mr Monod. On the contracts we have and I guess that is why we wanted to go straight here, is that our understanding are those are wide parity, the clauses there are wide parity clauses, but we are quite comfortable if you are saying, if in your view those might be old contracts and the contracts that currently prevail are narrow parity.

Is that what you say?

MR DE FROIDEVILLE: Yes. That is correct.

MS TSHEPE: I think what we will do is we will look at the contract and we may have to come back to you to just confirm that, and maybe we may have to ask for ...[intervenes]

MR DE FROIDEVILLE: Yes.

MS TSHEPE: The contracts that contain the narrow parity clauses, if we could get that.

MR DE FROIDEVILLE: Yes.

MS TSHEPE: Yes, thank you so much. I am going to come back to these questions on parity clauses and in particular narrow or wide. But before I start here, I just wanted to go to where you say the consumer journey begins which is in search and if I recall in your presentation you state that 55% of the journey essentially starts in search and in particular in Google.

I wanted to ask you Jean-Philippe if you do not mind me, I think that will be easier for me to call you by your name. Are you comfortable with that?

MR DE FROIDEVILLE: Yes, please.

MS TSHEPE: Okay, thank you.

MR DE FROIDEVILLE: Yes, please and ja, you can also say JP if ...[intervenes]

MS TSHEPE: That is even perfect. You can call me Doris, I am also happy with that. I know it will be easy. I just ...[intervenes]

MR DE FROIDEVILLE: Thank you Doris, that makes it easier.

MS TSHEPE: Yes. My surname is Tshepe. I do not know if you want to attempt.

MR DE FROIDEVILLE: Tshepe?

MS TSHEPE: Yes, Tshepe yes. That is perfect yes, thank you. I just wanted to know do you... do you have some of the stats on this journey? I mean I wanted to know how many of consumers who start on the Google Search would maybe click on the ads as opposed to the unit or the organic search. Do you have any of those stats?

MR DE FROIDEVILLE: We absolutely do have these stats. So when, of course only when it comes to our clicks, so we know when people come into Expedia through search engine marketing. So that is when they click on an ad. We know if consumers come in through the general search algo rhythm, so what we call SCO.

We also know if they come in through Google Hotel Finder, Google Hotel price ads, which is the meta channel. We also know if they

come to us directly or through other meta channels. I know that we shared with you a lot of data following your request. I am not sure, I do not think this was part of it, but we are very willing to follow up with you on that, and look at the data when it comes to the travel... travellers coming into our sites in South Africa.

MS TSHEPE: That would be very helpful. I do not think the information we have includes that and if you could, that would be great, because part of what we also wanted to understand is how many of them would go below the fold for example. So if you are able to with your data provide those to us, we would be grateful.

MR DE FROIDEVILLE: Yes, no I can... we can certainly look into that and see also perhaps if we can give you a trend over time, because that I think is probably the most interesting to see what has happened over time, with the SCO traffic and the meta traffic and the SCM traffic.

MS TSHEPE: You just took us through Jean-Philippe, how the Google Travel and how it looks when you go in. I just wanted to ask you what has been the effect of Google Travel on organic search and on paid results from your point of view?

MR DE FROIDEVILLE: Well, so the first thing that happened, so if you look at what the changes were to the page, I do not have here an overview, and if I had I probably could not share it unfortunately because of the technical difficulties, but ...[intervenes]

MS TSHEPE: Ja.

MR DE FROIDEVILLE: You will probably recall the days that Google had a blue box on top.

MS TSHEPE: Yes.

MR DE FROIDEVILLE: So what happens is that over time the blue box got another colour, got faded and sort of the colour completely disappeared. Then there was a big, bright green word saying ads. Then that word changed into black and was reversed. So now it is just the words at, as you can see on the slide.

MS TSHEPE: Yes.

MR DE FROIDEVILLE: What has happened over time is that consumers have been [indistinct – 01:01:49] to believe that all of the search results are in fact organic. So in former days it was very clear when something was not an ad, because it was blue, in a blue colour box.

With all of that disappearing and organic search results being sort of more blended with the ads, consumers do not really see the difference, and then with that, now you have on top of the search beds you have the ads, where consumers do not really always consider that to be an ad, even though I know it says ad, because people are more conditioned in general search, because they were just asking a general question to get these ads automatically on the top.

What Google later has done then, so you first had the ads and then the general search results, as inserted between these ads and the general search results, this big box. So what this box has done, it has first of all functioned as a bait and switch mechanism where people click and then are taken to another page, which is then you know, people are captive in Google's meta world, but it also at the same time has pushed down the organic search results even further below the screen because

of the size of that box.

So the... you could see that that even pushed the normal search results sometimes onto the next page. So I think since the introduction and they have played around with the size of this box. First ad was a couple of links, then they created the pictures and so the box became bigger and bigger.

Now it is this full-fledged box with pictures in the map. That has, I think created for old travellers, a screen that does not actually see any SCO results, unless you have various small resolution or a high resolution, very small font size, then adding your screen you can still actually see it, but for those that are getting a little bit older, like myself, I do not have that very small font size on my screen, and so you really only see the ads and the box.

That has had of course significant impact on this, on the SCO traffic. One thing I should mention that is really important for dynamic, is that travellers are more and more making their searches and their reservations through mobile and so you can imagine that this problem is only growing when people are going through smaller screens, because if you have got the ads and then a box on a very small mobile phone screen or a tablet screen, then you can... you are very likely to see no organic search results at all, as even compared to [indistinct – 01:05:03] where the problem is already quite significant.

MS TSHEPE: Given that Google Travel is a meta search and not an OTA, is one of your concern or one of your main concern that in fact what it has done, is effectively adding to ad costs of other OTA's?

MR DE FROIDEVILLE: Yes, so I think it has definitely created additional cost because it just creates another... an additional step. Google's product is mainly a meta product but it does have a booking functionality. So if you look on Google for book on Google, you will see an explanation on how that works, so that then you actually never have to leave the Google world.

You know, the infrastructure and you do not even go to that last step of transaction on for example our site. But there may be meta indeed on the cost per click basis, but they also have this booking functionality. So they are really planned and it creates I think two problems.

One is it creates additional cost with the questionable added value to consumers and suppliers and secondly I think it reduces choice for travellers because if you are mostly going through Google's own meta product then you will never see any of the investments in technology, the innovations of any of the travel agents that are... that have a good website, a good ability for travellers to find the right offers.

Because you are always automatically going to that last page at the checkout. So on Expedia if you are going through the Google funnel, you will go through general search, you click on that box. You go to Google's meta page. You do the search again. You go through until the booking pattern and then once you click book, you transfer to our last check out page.

So all of the path of searching on Expedia, the reviews, the alternative options, the packages etcetera are not visible to you.

MS TSHEPE: Thank you JP. Just so I can, I mean you have raised a

number of issues regarding Google Search or Google Travel or Google with its many other products and you also referred to the ECJ judgment. I just wanted us to explore a bit on recommendations that you may have on how we should address this.

As you know one of the mandate of the inquiry is if we were to find that there are issues, we may recommend remedies and we are wanting to explore with various participants in the inquiry on those possible remedies, and I just wanted to start with you on that, if you do not mind.

So ja, so the first question I had is if this is about position and so you will correct me as to this is where the ad is and then you have the box for Google Travel and then organic search results may come either below the fold or even on the next page, depending on the screen. Should we be looking to bump up organic search to the top or what would be your proposal in that regard?

MR DE FROIDEVILLE: Well, I think the issue is that Google is blending two different markets. So there is general search, and you can think about what you want, but the fact that they have built these products and that they are where they are, is something to be positive about right. I mean they have invested, they have a good product.

I am not talking about the fact that they are in competition with other search engines. That competition needs to happen but I am talking about the level below. I am talking on Google, because they are a dominant player, they have an ability to foreclose the market and to tie general search to vertical search.

So they are... I do also see that you cannot have a product that is

only general search SCO results, because that is obviously not a product that would be able to be sustainable, because I know some ads are necessary. But where the issue is, is between the ads and the general search.

It is this box. So the box is placed there by self-preferencing. It is not placed there because Google's products is the best products. So we think that competition should take place on the merits when it comes to verticals and that means that Google's vertical is just one of the many options.

So either Google's vertical needs to go through the same algorithmic test and potentially end up on page 3 or where ever, depending on how they rank against others or Google needs to create a mechanism that everybody can compete in an equal manner. So they are on vertical needs to be given equal display opportunity as competitors, based maybe on organic criteria.

So you could say you know, if there is a more rich format, for this box, then competitors to Google need to get the same richness in that display and that is the... that is what the commission is now also proposing in terms of the ranking. So that self-preferencing is not allowed.

Not only by the location, because that I think is one point. The fact that this box is automatically on top of the general search results, but also the size of the box. So it would not be helpful if Google was just allowed to continue to keep its box. It is also about the fact that if competition is taking place on the merits, then that box needs to be

provided in an equal manner to competitors. So then that box needs to show a certain space for Google's meta but an OTA page, but equally to the others.

So once they do show that box and I am not saying that I am not against innovation and I think that is often what is used as the counters. Like oh well you know, why do we not just go back in time. We are not going back in time. I am pretty sure that Google is able to come up with a solution that allows for competition to take place on the merits where that box allows competitors equal visibility and that I think is the remedy and how do you get to that remedy?

Well, that is through making sure that self-preferencing is prohibited.

MS TSHEPE: Thank you. Just on that, Googles says that that box is basically as a result it comes from organic search results and therefore it is almost like they are providing that based on organic search results. What is your view on that?

MR DE FROIDEVILLE: Well, that is an interesting statement because if that were true, then you could just link off from that box to whatever that hotel and then that hotel would conclude the transaction but that is of course not happening. As you will be able to find out yourself, the moment that you click somewhere in that box, you are going to Google's vertical page.

You are not going to the results. You are just, it is as I said it is bait and switch. There is nothing organic. If you type in hotel Cape Town, then you will see three random hotels, but if you then ask yourself is that

the hotel I want to stay at, is it available in the day that I am going. Is it the amount of star ranking that I am looking for. Is it in the location where I am looking for?

Those whatever, three or four pictures of hotels are not your answer. So what do you do? You click on the map because you want to actually do a vertical search and that is the whole point. Vertical search needs more input. You need the dates, you need to know where they want to go, when, what level of the hotel.

All of that information is needed to provide a relevant answer. So if Google says that they can answer the consumer's query on the general search page, that is simply not true.

MS TSHEPE: Thank you. I was just being shown the contract and it did look, it does look like a wide parity but we have spoken about that and we will get whatever new contracts you may have, with the narrow parity if you may. I wanted to just... you know, you spoke about this box what I call a unit, where all meta search and all OTA's are given an opportunity to compete freely there so that Google competes with all of that.

Is that the proposal you have in mind or to the box that currently is or that Google has currently transfixed between the ads and the organic search?

MR DE FROIDEVILLE: Yes, I think it is important to take the... to look at what the answer to the query is for a traveller. So the answer, so if they say I would like to book a hotel in Johannesburg, then what Google's answer to that question is well, how can I help you the best way to make a booking.

Therefore that would not be to provide one hotel, because that is not an answer to the consumer's query. He wants to be able to book a hotel. So that is very likely travel agents or comparison website, meta... other meta sites, that is the answer. So and that is what you will see if you type in that query.

That is the organic search you will see. So it is very logical that Google then has to take those results that come from organic, into account when they provide an alternative way of display for those results, in whatever is put between the ads and the organic search results because in a way what they say is well, we are the most relevant search results for a query.

So click on us and we will take you to our product. That is what they do with their books, but I think what we need to make sure is that if they still are going to be on number one spot, well then competitors need to have an equal access to that location and equally when it comes to the display.

So it cannot be that Google has a whole nice books and it is somewhere hidden, or that you have got a couple of logo's which what Google is currently testing, a couple of logo's around the box where nobody is actually clicking. I mean that is not allowing competition on the merits to take place, if you are dominant and you are abusing your dominance.

So it is really important that around that box, there is an equal display.

MS TSHEPE: Thank you for that. Just another issue I wanted to raise

with regards to what could possible remedies is. You have referred to the Google Shopping case. Price comparative website have criticised the solution on the Google Shopping case of bidding for a place in the unit box and I just wanted to understand what your view is, because in their mind you have to pay to be there, and Google does not essentially have to pay.

What is your view about that and do you see it working? The Google Shop solution, just based on what you just said.

MR DE FROIDEVILLE: Sorry. Yes, so there is one difference between the way the travel vertical works and the shopping vertical works, is that if you are on the page for the shopping vertical, you are actually when you click on a product you are not actually connected to the meta search player.

But you are going straight to the seller, right. So think about so there is a meta search player that has bidding on Google and they get a certain slot in the product ads. But once you click on that you are not actually connected to the meta search player, but you are connected directly to the seller of that product.

So the different dynamic on the travel sector is, that just simply does not work that model. Because on the general search results page, you cannot just show four pictures of hotels because no traveller is going to say okay, I am doing a click on the hotel and go straight to the check out.

Right, that is because you have not even told them when and where and how many stars. So there is so many other questions that you

need to ask or answer. You need actually the consumer to be in that other meta search page.

So that is why Google's solution for travellers is different in a way by pushing everybody into the other page. I think that when you look at a remedy in this case, it is about a mechanism where competing verticals would have visibility so that the people can actually go from that page to the vertical or the online travel agency because they are in a way in the same market, where then the consumer can continue his search by saying I want to go this day, and this is the area, etcetera.

So I think that the remedy discussion around shopping is slightly different than the remedy discussion around travel, but the abuse is the same.

MS TSHEPE: Thank you. I just have one question on this and that what would be the impact of all these remedies that we are discussing currently on local platforms and essentially my question is do you think they are likely to benefit companies like Expedia and a booking who are bigger platforms compared to the local platforms?

MR DE FROIDEVILLE: No, I think it will ultimately benefit those platforms that are the most relevant search results and for the traveller and that means if a local platform has the best supply and has the best review for those results and Google and that is what Google's normal algo rhythm does, it scans the world and see what consumers find relevant results.

So if consumers find these players the most relevant results, those are the ones that then would show up in that remedy. So it is all about the relevance and investments that these companies make to

consumers and those local players, the relevant search results, should then get the necessary visibility in that remedy.

That is what happens just below the ad. Equally you know, you can see well who are the most relevant search results by looking at the organic search results that follow from a query. That could very well be those local players.

MS TSHEPE: Ja, I will not deal much with this. I think I have spent a bit of time on it, but just the only issue is that even with organic search you are finding even there you are finding the bigger platforms and I imagine that there is still a lot of, you spoke about the investment part which is the marketing cost component that for local partners to try and compete with bigger and international platforms like a booking or an Expedia, become still difficult.

So I think it is something we still need to engage a bit more on. I do not know if you want to comment on that before we move on?

MR DE FROIDEVILLE: Well, I think the big difference when it comes to display is the top side where you have the ads. That is obviously a market where it matters how you bid. But the organic search results show the most relevant search results for the traveller. Meaning travellers have looked at that, clicked on that and found it relevant.

I think that is where yes, I agree with you that also investment in becoming relevant, are important, but that is a choice and in a way the consumer benefit is to make sure that the most relevant company would then show up in the general search results and I think that if there are local players that are the most relevant search results in for example

making sure that you have, that you can make a trip to different parts of South Africa, it is those companies that invest in that as opposed to maybe the international players that could become the more relevant search results when consumers are looking for that.

So that I think is the difference between the top site of the screen where Google is monetising through advertisements, search engine marketing and the bottom part of the screen where the most relevant search results should get more visibility. Including any player, any local player and anybody that is providing a surface that would be best for consumers.

MS TSHEPE: Thank you JP. As I said, I think time is running out and I am going to move from this. I was going to discuss with you wide parity clauses, but after what you have just said, I am not going to engage in that and we will receive your contract and if there is anything we want to raise, we will then deal with it then.

MR DE FROIDEVILLE: Yes.

MS TSHEPE: But what I am going to try and discuss is the narrow parity clauses. I mean, what I wanted to find out from you is if they have actually these clauses have been put in place in order to prevent free riding, where is evidence on free riding? We have not been provided with much other than assertions that we have heard over time.

The... one of the evidence we received from one of the participants in South Africa was that there is less than 1% of free riding in the experience for example, so we would be interested to... I know that in Germany, in... they found that consumers tend to look where they start

the journey and 99% of that is on booking.

So those two areas actually do not so much indicate free riding, but more or to the extent that there is very miniscule. Do you have any comments on that or do you have any evidence that you could show us?

MR DE FROIDEVILLE: Yes, certainly. So I am just seeing if I can find some of the statistics that, so there have been... there was also a study done by the CMA in the United Kingdom that looked at comparison to those and they found that consumers looking to book hotel accommodation, visited on average three comparison sites.

About 59 of consumers shopping around for hotels visited the hotel's direct websites. So that comes to show that consumers, or close to 60% actually do go to the direct website. We also have done some studies around what we call the so called billboard effect. So consumers do look at multiple sites, but they start of course on an aggregation site so that they can actually find out where they want to stay, if it is available and what price range.

Look at the pictures, look at the reviews and then they go to these hotels and obviously a lot of these consumers ultimately make their booking there and it does happen and that is the free riding and it is part of the market, but I think the fact that it is happening is something that creates the free riding, given that our business model is only to get paid when a booking takes place through a website.

The fact that a lot of people visit our site, use it to find the right option but then ultimately make a booking somewhere else, ja is something we have to live with but it is of course if that becomes too big

of an impact, creating a model that is not sustainable. So I think there is quite a lot of evidence around the billboard effect and this study that was, and I think I can mention to you the, so it was done by... so it was done by the CMA.

But it was an external study. It might actually be on their website still because it was done in... so it is a 2017 counter public study and it was done as part of their market study, which you may have access to. But if you are interested I can also see if I can send you the copy of the study.

MS TSHEPE: Thank you, that would be good, but in South Africa, I mean as I said, one of the participants who actually is a platform and do not have a parity clause, said that in their experiences, there is very little if any happening in the country.

MR DE FROIDEVILLE: Ja, so I think that the bigger marketing investments you make and the more visibility you have, the larger the free riding effect, right because consumers then say oh well, you can use Expedia for just finding out what the options are and then goes somewhere else and the more visible you are, the more marketing dollars you pay.

The more likely it is that you are then the website that the people use to do their initial checking and then move on to do some further detail checking. By using the hotel names, etcetera that they find on our sites.

MS TSHEPE: Yes, thank you JP. Look, I mean the... just with regard to the CMA study, I mean I do not know we will have to look at it, because from what you are explaining, it could be that consumers do go there but

they still go back to the OTA, to the site they trust and book. So I think maybe we just before I engage and explore further with you, it would be useful for us to have a look at that.

Ja. Thank you. Just also with regards to still with the narrow parity, I see in your quality score you... there is... you include that based on Expedia, you check whether the prices on Expedia or elsewhere are any different, and essentially an accommodation provider could be punished for having lower prices elsewhere other than on Expedia.

Am I correct?

MR DE FROIDEVILLE: Well, I do not think you are looking at or should be looking at it from that perspective. I think you should look at the perspective from those hotels that want to compete in the market with an interesting rate in their competition with other hotels and it is those hotels that we look at.

If they are good value for money, deal on Expedia and so it is both in the interest of the traveller that those offers actually are visible because those are the best deals for consumers, as well as for those partners that are in competition with other hotels, that those offers that are strong offers, good deal for consumers, are not pushed down by those offers that are not interesting for consumers.

It would be a very strange situation if a deal, a bad deal if you say... if you know that on Expedia you have a very high price and you can book it cheaper on the hotel's direct channel or with a local South African, other OTA or anybody else and we have the bad price. We do not want to make, to have that price push down those deals that are really good

for consumers.

So, and that is how ranking works, right. It is not about punishment, it is about the fact that good deals are the ones that are above the bad deals and so ja, you automatically have a ranking, and there is only one place where it can be and so it has nothing to do with our comparison.

It is just making sure that those right deals, those good deals that are more visible for consumers because we want those consumers to have [indistinct – 01:35:50] our partners to have a good experience because they have the good deals and people in Expedia that they actually do not feel that they made a booking and then later find out that that is actually cheaper everywhere else.

Right, so that would not be a good experience on Expedia. That will reduce consumers coming to us, and reduce our effectiveness.

MS TSHEPE: Thanks JP, but that is the point, is that if that is the effect then why do you then have a narrow parity if in your quality score you cater for that differentiation.

MR DE FROIDEVILLE: Well, our algo rhythm look at things more generally and we, any hotel that wants to compete on other channels can provide us with any rate that we want, that they want as compared to competition and the... they make their choices right. We do not make the choices.

If they have a rate that is not competitive, well then other hotels may have rates that are more competitive. But the narrow point we do find that that very specifically to their direct channel, is something were

we see the free riding happening, and that is where we wanted to make sure that there is ja, that there is no free riding happening on that specific channel.

But generally I mean hotels are free to provide any price to any player in the market. If we get the worst and others get the best, well that is what the market is right. If there are other hotels that do have really good deals for consumers, those are the ones that get more visibility.

Separate from the discussion about free riding on the direct channel.

MS TSHEPE: Thank you JP. I have just been reminded by the Chair that my conversation with you has taken way longer than what we anticipated.

MR DE FROIDEVILLE: I am sorry.

MS TSHEPE: No, do not worry. It has been very useful. I actually wanted us to touch on your own, ranking on your own platform and unfortunately I will not have the time to do so, but I think at some point we may want to engage with you on that. I am just going to go onto just your plans and experience elsewhere, because I just think it is something as an inquiry we are interested in.

That is just to understand how you started and then went into just, the other international markets. I mean in our understanding being based in the US, you started focussing on US travellers on their journey elsewhere. Is that correct?

MR DE FROIDEVILLE: Yes, so that is correct. I think that as compared to certain others in the market I think we are bringing a lot of international travellers into the markets that we work with. So we are mostly a

company that brings into South Africa, international travellers. Rather than have focussing very much on the domestic market.

The, our investments of course are such that we have the necessary supply. It starts of course with having the supply. So we are [indistinct – 01:39:54] South Africa to make sure that we have an interesting offering for them. We bring in a lot of the American travellers. Of course, that is our market.

So I think it starts to be competitive to make sure that we have the key markets when it comes to supply. That we have the key cities with also the smaller cities in South Africa and that requires investment, because you need to have an average to those partners and you need to make sure that they see the value of working with Expedia.

Once we have that, of course we need to make sure that we invest in the positioning of all of those partners internationally, so translate the content of South African partners into whatever, 70 different languages. With 70 different sites. I think we have about 25 different languages.

Once we have that, then we need to make sure that we are able to compete in the market for the demand and so we need to identify okay, where is the demand that of people wanting to go to South Africa and then we need to invest in those markets, that are key feeder markets to South Africa in our marketing online, whether it is Google or other meta channels or do campaigns in certain offline markets or on television.

That is where we are looking for opportunities to work with the South African Tourism Board to see okay, what are the key feeder markets where we have a strong presence. Where can we work together with

incites, where can we go invest in marketing and I think that is the next step.

So having that next step on with South African Tourism would be important. Of course, the trend now and I do realise that this is a strange world we are currently living in. It is not like 2019. We currently have to be clever and quick and that is why I think Expedia group can be a good partner to South African Tourism, because we do see the trends.

What I mean the trends, it is the search behaviour. We see the search behaviour starting in certain markets for South Africa. Then with that can come the investment to actually do the promotions and work with the partners to provide good offers on the right moments. We can, we have the insight of when our traveller is going, when are they looking and where are those people that are actually looking or booking.

Then making sure that the marketing investments are done most efficiently. So it is a bit of the chicken and the egg, because unfortunately a lot of markets are still closed and therefore there is little appetite to put a load of advertising in, if you know other people cannot come and that is where we are in.

I think it is a bit of that harmonica unfortunately where we currently in, when it comes to investment, because I would love to make sure that we can bring as Expedia Group as many international travellers into South Africa. But it needs to be possible. There needs to be now no quarantines, and so we have that information where we are monitoring that closely.

That is something maybe an added value in working with, with

South African partners to make sure that that information is shared.

MS TSHEPE: Thank you. I have one last question and could I ask you just because I know some of the panel and the technical team members may want to ask some question, but and this is from your experience operating in a number of markets globally and what I wanted to find out is were you and the other bigger platforms have entered various markets, what has happened to the smaller local platforms in those destination or the origin countries?

Have they survived or are they outgunned by the bigger platform and also how do you position the domestic traveller in that?

MR DE FROIDEVILLE: Yes, so I think there is absolutely ...[intervenes]

MS TSHEPE: JP, if I could ask you I am sorry. If I could ask you to be short in your answer, just so ...[intervenes]

MR DE FROIDEVILLE: Yes.

MS TSHEPE: Without limiting what you want to say. I am very sorry about that.

MR DE FROIDEVILLE: Yes, of course. No, I see time is ticking. No, so very briefly I think there is absolutely a place for local players. So it is not that we are in a way coming into market and that there is no more place for local players, offline or online.

Actually it is a large share of our business as I may have said in the beginning of the presentation. Expedia for business is an important partner to the offline and online travel agents, so they actually work with us, where we are providers of the international supply or local supply, depending on the supply that they do not have.

That completes their offering and they are then able to advertise themselves and we split the commission and that happens with the offline travel agents as well, that want to offer packages, want to offer lodging or air. They are our partners. So I think the fact that we are entering a market is also creating hopefully opportunities for our partners to be then more specialised, right.

So there can be partners that are focussing on specific parts of South Africa or specific types of travellers, could be families, could be travellers that want to bring animals and they can look at for example the supply that we have focus on those and be the leader in that, and but they are still partnering with us.

They do not have to get all the contracts with those hotels or airlines, and so there are opportunities to work together. I am not saying that there is no competition of course when you just want to fly in and out of Cape Town, right. I think that is beyond, so that is a weekend trip.

But there is absolutely a place for any international company to work with the local companies. We actually do. The evidence is that we do. Hopefully that was short enough. I mean I could talk about it a lot longer, but I think we do see those companies as our partners as well.

MS TSHEPE: Thank you JP. Sorry Chair, I will hand over to you.

CHAIRPERSON: Thanks JP, I have just got one last question then we will close the session. I mean obviously we have had this confusion over why the narrow parity, but I mean regardless of where we end up, if it is a wide parity clause, do we have your commitment to then make it a narrow parity because you seem comfortable with that.

MR DE FROIDEVILLE: Absolutely. We do not have a wide parity clause in our standard contract and I am happy to share that with you.

CHAIRPERSON: No, I know. we have got the contract. I am saying if it is found to be wide, would you be committing to making it narrow? Because there is some confusion.

MR DE FROIDEVILLE: Well, yes if we have the same definition of wide, then absolutely. So wide meaning on different, on other channels than your own. Also including wide meaning what we do allow is the offline channel, walk inns, emails and the private channel that is say the loyalty program.

What we consider to be narrow parity is the publicly facing online website of the partner. That is what we consider narrow. That is the only thing that we would contain and everything else is not in the contract.

CHAIRPERSON: Ja, and wide would be other platforms, other online platforms.

MR DE FROIDEVILLE: Yes, exactly.

CHAIRPERSON: So I am just indicating that we will obviously sort this out offline, but if it is found to include that wider group, then do we have your commitment to change those to make them narrow, because you seem comfortable with narrow?

MR DE FROIDEVILLE: Yes.

CHAIRPERSON: Great, thank you. I am going to call the session to a close. I want to thank you Jean-Philippe for making time. I am sure now that markets are starting to open up it has become a little busier for Expedia and the travel industry and I hope that there is a recovery

because this has certainly devastated the industry and many of these local establishments and global ones, I am sure are waiting to welcome tourists back and hopefully your platform and the others will facilitate that.

So thank you very much for coming to join us.

MR DE FROIDEVILLE: Thank you for your time and we sincerely hope that we can enhance our corporation with South Africa bringing back tourism and helping everybody in the street to recover.

CHAIRPERSON: Ja, we certainly hope so. We need tourists. Just a genuine announcement for tomorrow. We did have Geoff Manning from 08H00 properties having a technical issue. So we are including him at 09H30. So we are going to start 30 minutes earlier tomorrow than we would otherwise to fit in Mr Manning.

Then the rest of the morning session would be My Property and Private Property and then the afternoon session would be Property 24. So that would start at two o'clock. So thank you and we will see everyone tomorrow at 09H30 AM.

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41 Alexandra Road,
Irene Centurion
TEL: 012 941 0587 FAX: 086 742 7088
MOBILE: 066 513 1757
info@gautengtranscribers.co.za
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