

Ms Margrethe Vestager
Commissioner
European Commission
Rue de la Loi 200

B – 1049 Brussels

Ref.: BEUC-X-2017-098

21 September 2017

Re.: Google case: Consumer concerns on auction-based model for shopping services.

Dear Commissioner Vestager,

I am writing on behalf of BEUC, the European Consumer Organisation, to express our concerns regarding Google's future compliance with the European Commission's decision of 27 June in the Google search case (N° 39740 - Shopping).

According to a number of media reports, Google plans to address the infringement by creating an auction mechanism for rival product comparison websites to bid their way into the Google Shopping box. We ask you not to approve such a remedy.

BEUC welcomed the European Commission's decision to fine Google for abusing its dominance in the search engine market. As highlighted by yourself in your statement announcing the decision "*[Google] has denied European consumers the benefits of competition, genuine choice of services and innovation*". Consumer organisations in Europe expect that the changes Google will introduce in its services will be effective to ensure that consumers will get unbiased results based on merits and relevance.

However, an auction-based model will not provide European consumers with results based on merit or consumer relevance. On the contrary, such a system would likely have adverse effects on competition and consumer welfare. Similar auction mechanisms were already under discussion and proved to be unsuitable to address the European Commission's concerns¹. The reasons for rejecting this proposal are still valid today.

First, an auction cannot be seen as a substitute of impartial ranking. The results will not be based on merit or consumer relevance but on the bidding power of the firms involved. This is because consumers will not see the results which most correspond to their query but to the offer of a company which has paid more for display.

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¹ Ref.: http://www.beuc.eu/publications/x2013_078_kro_ama_cases_comp.pdf

Secondly, this model of displaying results is likely to result in higher prices of goods and services for consumers. As vertical search services will have to pay to be visible, there is a high risk they will no longer place the cheapest offers at the top of the list for consumers. Instead, the most visible ones will be the ones which secure the biggest buying power. This applies even if Google would limit its own bids, as suggested in media reports. The result would be the same: companies bidding to catch consumers' attention in a way that could increase costs and consumer prices.

Furthermore, this race between firms to appear prominently in Google's shopping service is likely to raise the costs of Google's rivals and therefore exclude the lowest profit-margin retailers.

This system does not give equal treatment to rival comparison shopping services since Google would be granted an economic advantage over the profit-margins of all competitors.

Finally, an auction system is likely to stifle innovation because however innovative or interesting new competitors' products are, they will not have the purchasing power to compete with Google and its main rivals.

BEUC is convinced that consumers should always receive impartial results. The rankings should be decided on the merits and not on the financial resources of Google or its rivals. A new auction mechanism, as a way to resolve the illegal behaviour, will only exacerbate existing problems in the search market and create a vicious cycle that will further impact competition and stifle innovation.

The goal of these proceedings is to restore competition in the online search market and to bring the price comparison market in the EU to where it should be. Thus, the changes that Google will introduce to comply with the European Commission's decision must improve the situation for European consumers in the way products and services are presented to them. Otherwise all investment of time and resources for this case would have been in vain.

Thank you in advance for taking these concerns into consideration.

We look forward to continuing our fruitful co-operation for the benefit of all European consumers.

Yours sincerely,

Monique Goyens
Director General