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The Washington Post editorial board understands online competition better than the European Commission does
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Last week the editorial board of the Washington Post penned an excellent editorial responding to the European Commission's announcement of its decision in its Google Shopping investigation. Here's the key language from the editorial:

> Whether the demise of any of [the complaining comparison shopping sites] is specifically traceable to Google, however, is not so clear. Also unclear is the aggregate harm from Google's practices to consumers, as opposed to the unlucky companies. Birkenstock-seekers may well prefer to see a Google-generated list of vendors first, instead of clicking around to other sites…. Those who aren't happy anyway have other options. Indeed, the rise of comparison shopping on giants such as Amazon and eBay makes concerns that Google might exercise untrammeled power over e-commerce seem, well, a bit dated…. Who knows? In a few years we might be talking about how Facebook leveraged its 2 billion users to disrupt the whole space.

That's actually a pretty thorough, if succinct, summary of the basic problems with the Commission's case (based on its PR and Factsheet, at least; it hasn't released the full decision yet).

I'll have more to say on the decision in due course, but for now I want to elaborate on two of the points raised by the WaPo editorial board, both in service of its crucial rejoinder to the Commission that **"Also unclear is the aggregate harm from Google's practices to consumers, as opposed to the unlucky companies."**

First, the WaPo editorial board points out that:

> Birkenstock-seekers may well prefer to see a Google-generated list of vendors first, instead of clicking around to other sites.

It is undoubtedly true that users "may well prefer to see a Google-generated list of vendors first." It's also crucial to understanding the changes in Google's search results page that have given rise to the current raft of complaints.

As I noted in a Wall Street Journal op-ed two years ago:

> It's a mistake to consider "general search" and "comparison shopping" or "product search" to be distinct markets.
>
> From the moment it was technologically feasible to do so, Google has been adapting its traditional search results—that familiar but long since vanished page of 10 blue links—to offer more specialized answers to users' queries. Product search, which is what is at issue in the EU complaint, is the next iteration in this trend.
>
> Internet users today seek information from myriad sources: Informational sites (Wikipedia and the Internet Movie Database); review sites (Yelp and TripAdvisor); retail sites (Amazon and eBay); and social-media sites (Facebook and Twitter). What do these sites have in common? They prioritize certain types of data over others to improve the relevance of the information they provide.

"Prioritization" of Google's own shopping results, however, is the core problem for the Commission:

> **Google has systematically given prominent placement to its own comparison shopping service**: when a consumer enters a query into the Google search engine in relation to which Google's comparison shopping service wants to show results, these are displayed at or near the top of the search results. (Emphasis in original).

But this sort of prioritization is the norm for *all* search, social media, e-commerce and similar platforms. And this shouldn't be a surprise: The value of these platforms to the user is *dependent* upon their ability to sort the wheat from the chaff of the now immense amount of information coursing about the Web.

As my colleagues and I noted in a paper responding to a methodologically questionable report by Tim Wu and Yelp leveling analogous "search bias" charges in the context of local search results:

> Google is a vertically integrated company that offers general search, but also a host of other products…. With its well-developed algorithm and wide range of products, it is hardly surprising that Google can provide not only direct answers to factual questions, but also a wide range of its own products and services that meet users' needs. **If consumers choose Google not randomly, but precisely because they seek to take advantage of the direct answers and other**

> **options that Google can provide, then removing the sort of "bias" alleged by [complainants] would affirmatively hurt, not help, these users.** (Emphasis added).

And as Josh Wright noted in an earlier paper responding to yet another set of such "search bias" charges (in that case leveled in a similarly methodologically questionable report by Benjamin Edelman and Benjamin Lockwood):

> [I]t is critical to recognize that bias alone is not evidence of competitive harm and it must be evaluated in the appropriate antitrust economic context of competition and consumers, rather individual competitors and websites. Edelman & Lockwood´s analysis provides a useful starting point for describing how search engines differ in their referrals to their own content. However, **it is not useful from an antitrust policy perspective because it erroneously—and contrary to economic theory and evidence—presumes natural and procompetitive product differentiation in search rankings to be inherently harmful.** (Emphasis added).

We'll have to see what kind of analysis the Commission relies upon in its decision to reach its conclusion that prioritization is an antitrust problem, but there is reason to be skeptical that it will turn out to be compelling. The Commission states in its PR that:

> The evidence shows that consumers click far more often on results that are more visible, i.e. the results appearing higher up in Google's search results. Even on a desktop, the ten highest-ranking **generic search results** on page 1 together generally receive approximately 95% of all clicks on **generic search results** (with the top result receiving about 35% of all the clicks). The first result on page 2 of Google's **generic search results** receives only about 1% of all clicks. This cannot just be explained by the fact that the first result is more relevant, because evidence also shows that moving the first result to the third rank leads to a reduction in the number of clicks by about 50%. The effects on mobile devices are even more pronounced given the much smaller screen size.
>
> This means that by giving prominent placement only to its own comparison shopping service and by demoting competitors, Google has given its own comparison shopping service a significant advantage compared to rivals. (Emphasis added).

Whatever truth there is in the characterization that placement is more important than relevance in influencing user behavior, **the evidence cited by the Commission to demonstrate that doesn't seem applicable to what's happening on Google's search**

results page now.

Most crucially, the evidence offered by the Commission refers only to how placement affects clicks on “**generic search results**” and glosses over the fact that the “prominent placement” of Google’s “results” is not only a difference in position *but also in the type of result offered.*

Google Shopping results (like many of its other “vertical results” and direct answers) are very different than the 10 blue links of old. These “universal search” results are, for one thing, actual answers rather than merely links to other sites. They are also more visually rich and attractively and clearly displayed.

Ironically, Tim Wu and Yelp use the claim that users click *less often* on Google’s universal search results to support their contention that increased relevance doesn’t explain Google’s prioritization of its own content. Yet, as we note in our response to their study:

> [I]f a consumer is using a search engine in order to find a direct answer to a query rather than a link to another site to answer it, click-through would actually represent a decrease in consumer welfare, not an increase.
>
> In fact, the study fails to incorporate this dynamic even though it is precisely what the authors claim the study is measuring.

Further, as the WaPo editorial intimates, these universal search results (including Google Shopping results) are quite plausibly more valuable to users. As even Tim Wu and Yelp note:

> No one truly disagrees that universal search, in concept, can be an important innovation that can serve consumers.

Google sees it exactly this way, of course. Here’s Tim Wu and Yelp again:

> According to Google, a principal difference between the earlier cases and its current conduct is that universal search represents a pro-competitive, user-serving innovation. By deploying universal search, Google argues, it has made search better. As Eric Schmidt argues, “if we know the answer it is better for us to answer that question so [the user] doesn’t have to click anywhere, and in that sense we… use data sources that are our own because we can’t engineer it any other way.”

Of course, in this case, one would expect *fewer* clicks to correlate with higher value to users — precisely the opposite of the claim made by Tim Wu and Yelp, which is the surest sign that their study is faulty.

But the Commission, at least according to the evidence cited in its PR, doesn't even seem to measure the relative value of the very different presentations of information at all, instead resting on assertions rooted in the *irrelevant* difference in user propensity to click on generic (10 blue links) search results depending on placement.

Add to this Pinar Akman's important point that Google Shopping "results" aren't necessarily *search results* at all, but *paid advertising*:

> [O]nce one appreciates the fact that Google's shopping results are simply ads for products and Google treats all ads with the same ad-relevant algorithm and all organic results with the same organic-relevant algorithm, the Commission's order becomes impossible to comprehend. Is the Commission imposing on Google a duty to treat non-sponsored results in the same way that it treats sponsored results? If so, does this not provide an unfair advantage to comparison shopping sites over, for example, Google's advertising partners as well as over Amazon, eBay, various retailers, etc…?

Randy Picker also picks up on this point:

> But those Google shopping boxes are ads, Picker told me. "I can't imagine what they're thinking," he said. "Google is in the advertising business. That's how it makes its money. It has no obligation to put other people's ads on its website."

The bottom line here is that the WaPo editorial board does a better job characterizing the actual, relevant market dynamics in a single sentence than the Commission seems to have done in its lengthy releases summarizing its decision following seven full years of investigation.

The *second* point made by the WaPo editorial board to which I want to draw attention is equally important:

> Those who aren't happy anyway have other options. Indeed, the rise of comparison shopping on giants such as Amazon and eBay makes concerns that Google might exercise untrammeled power over e-commerce seem, well, a bit dated…. Who knows? In a few years we might be talking about how Facebook leveraged its 2 billion users to disrupt the whole space.

The Commission dismisses this argument in its Factsheet:

> The Commission Decision concerns the effect of Google's practices on comparison shopping markets. These offer a different service to merchant platforms, such as Amazon and eBay. Comparison shopping services offer a tool for consumers to compare products and prices online and find deals from online retailers of all types. By contrast, they do not offer the possibility for products to be bought on their site, which is precisely the aim of merchant platforms. Google's own commercial behaviour reflects these differences – merchant platforms are eligible to appear in Google Shopping whereas rival comparison shopping services are not.

But the reality is that "comparison shopping," just like "general search," is just one technology among many for serving information and ads to consumers online. Defining the relevant market or limiting the definition of competition in terms of the particular mechanism that Google (or Foundem, or Amazon, or Facebook…) happens to use doesn't reflect the extent of substitutability between these different mechanisms.

Properly defined, the market in which Google competes online is not search, but something more like online "matchmaking" between advertisers, retailers and consumers. And this market is enormously competitive. The same goes for comparison shopping.

And the fact that Amazon and eBay "offer the possibility for products to be bought on their site" doesn't take away from the fact that they *also* "offer a tool for consumers to compare products and prices online and find deals from online retailers of all types." Not only do these sites contain enormous amounts of valuable (and well-presented) information about products, including product comparisons and consumer reviews, but they also actually offer comparisons among retailers. In fact, Fifty percent of the items sold through Amazon's platform, for example, are sold by third-party retailers — the same sort of retailers that might also show up on a comparison shopping site.

More importantly, though, as the WaPo editorial rightly notes, "[t]hose who aren't happy anyway have other options." Google just isn't the indispensable gateway to the Internet (and *definitely* not to shopping on the Internet) that the Commission seems to think.

Today over half of product searches in the US start on Amazon. The majority of web page referrals come from Facebook. Yelp's most engaged users now access it via its app (which has seen more than 3x growth in the past five years). And a staggering 40 percent of mobile browsing on both Android and iOS now takes place inside the Facebook app.

Then there are "closed" platforms like the iTunes store and innumerable other apps that handle copious search traffic (including shopping-related traffic) but also don't figure in the Commission's analysis, apparently.

In fact, billions of users reach millions of companies every day through direct browser navigation, social media, apps, email links, review sites, blogs, and countless other means — all without once touching Google.com. So-called "dark social" interactions (email, text messages, and IMs) drive huge amounts of some of the most valuable traffic on the Internet, in fact.

All of this, in turn, has led to a competitive scramble to roll out completely new technologies to meet consumers' informational (and merchants' advertising) needs. The already-arriving swarm of VR, chatbots, digital assistants, smart-home devices, and more will offer even more interfaces besides Google through which consumers can reach their favorite online destinations.

The point is this: Google's competitors complaining that the world is evolving around them don't need to rely on Google. That they may *choose* to do so does not saddle Google with an obligation to ensure that they *can* always do so.

Antitrust laws — in Europe, no less than in the US — don't require Google or any other firm to make life easier for competitors. That's especially true when doing so would come at the cost of consumer-welfare-enhancing innovations. The Commission doesn't seem to have grasped this fundamental point, however.

The WaPo editorial board gets it, though:

> The immense size and power of all Internet giants are a legitimate focus for the antitrust authorities on both sides of the Atlantic. Brussels vs. Google, however, seems to be a case of punishment without crime.

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