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OIPMI PROVISIONAL REPORT

CHAPTER 2

TRAVEL AND ACCOMMODATION

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Introduction

1. The Inquiry examined travel and accommodation together in this Report considering that these services complement each other and are typically provided as a portfolio of service offerings by platforms such as online travel agents ("OTAs"). This is despite business models differing between each type of service offered. Large global OTAs like Booking.com and Expedia offer a portfolio of travel products that can be booked online including accommodation, flights, car rentals and activities[1]. Other locally based OTAs such as Travelstart and Computicket provide online booking services for buses, flights, car rentals and accommodation. Despite offering a variety of online travel and accommodation booking services, platforms tend to focus on a particular service while white labelling its supply of other services. For example, Booking.com focuses on online accommodation intermediation, Travelstart focuses on online flight intermediation, Rentalcars focuses on online car rental intermediation, Computicket focuses on online bus intermediation and Viator focuses on online activities intermediation. Another important player in online travel and accommodation intermediation is metasearch engines ("MSEs"). MSEs provide consumers with price comparison tools across various OTA and business user offerings. For example, a MSE may display price offerings of a given hotel room by various OTA's and the hotels own website. For OTAs, MSEs are part of their marketing armoury and are important in driving leads to their websites.

2. Global platforms feature strongly in online accommodation intermediation, accounting for approximately 90% of platform revenue share. These players include Booking.com, Airbnb, Expedia (and its portfolio of platforms[2]), and Agoda[3]. Domestic online accommodation intermediation platforms include Lekkeslaap and Travelground (belonging to Tripco), SafariNow, Afristay, SA-Venues, and RoomsForAfrica (part of Res Africa). In the Flight intermediation space, one has Travelstart, Computicket and eDreams. In car rentals Rentalcars (also known as Booking.com Transport Limited), Car Trawler and Carrentals (part of Expedia) which are all global intermediaries. Flightsite (part of Travelstart), Computicket and Busbud feature in online bus intermediation and Viator, GetYourGuide and Airbnb Experiences in activities. While there are numerous metasearch service providers, which are foreign owned,

[1] These platforms also offer restaurant reservation services, however, these services have little or no demand in South Africa at present.
[2] Expedia's portfolio of platforms are considered collectively under "Expedia". These platforms include Expedia, Hotels.com, Vrbo, Travelocity, Hotwire, Orbitz, ebookers, CheapTickets, and Wotif. Separate references are made to Hotels.com and Vrbo in the Report.
[3] Other players such as Trip.com, Hostelworld, Kid & Coe operate in South Africa, but have a small presence.

the main service providers operating in South Africa include Trivago, Tripadvisor, Cheapflights, and Google's Travel Unit (including Google Hotels, Flights, Holiday Rentals and Things To Do).

3. Given the presence of network effects in online platform intermediation, leading platforms in each category of travel and accommodation have emerged. For example, in mature platforms such as online accommodation intermediation, Booking.com is the leading platform accounting for more than half of the accommodation platform revenue share in South Africa. Airbnb has also been the fastest growing platform and accounts for a sizeable share. In online flight intermediation, a maturing platform market, Travelstart is the largest platform. Having said this, the pandemic has adversely impacted its revenue share. Airlines' own websites also feature strongly in the selling of flights, and they sell other travel services to a limited extent, such as car rentals. In the car rental space Rentalcars appears to be the largest platform, accounting for most of the revenue share, however, this caters mostly to airport-based car rentals and international travellers, and the market is yet to mature with respects to domestic travellers. The online bus and activity intermediation markets are relatively new and it is too early to say which platforms can be considered as leading. Having said this, Computicket has a relatively large presence in online bus intermediation and can build on this by leveraging its strong in-store presence and Busbud, a Canadian-based internet company, has a rapidly growing share of the market. Viator and GetYourGuide are by far the two largest platforms for the provision of online activity intermediation. Currently there is no clear leading MSE platform considering that the aforementioned MSEs are of similar size. Having said this, Google's Travel Unit, which has been under scrutiny for self-preferencing, has been rapidly growing. Booking Holdings, the holding company for Booking.com. Agoda, Rentalcars and MSEs such as Cheapflights and Kayak, accounts for over half of platform revenues in South Africa.

4. The use of online platforms to book travel and accommodation services had been growing at a rapid pace pre-pandemic largely following the penetration of smartphones. However, the outbreak of Covid-19 and the subsequent lockdowns that followed, severely impacted tourism resulting in a material drop in online traffic and revenues for platforms. Recovery into 2021 has been slow but the trend towards digitalising of marketplaces means that the use case of online travel and accommodation intermediation platforms is likely to be more important going into the future than it ever was before.

5. An important aspect of online travel and accommodation intermediation is understanding the customer journey. Platforms compete to attract consumer traffic to their websites in the online space. The biggest source of online traffic, roughly 60%, in travel and accommodation intermediation are search engines, and Google in particular, given its monopoly in general search. This importance is mirrored by the high marketing and Google Ad spend by online platforms, accounting for their largest expense item on their income statements. Not only is Google influential in the upper end of the consumer funnel where it can influence travel ideation and demand, it is increasingly moving down the funnel as a lead generator through its Travel Unit and has the potential to finalise bookings. Concerns with Google's dominance as an upstream supplier of search inputs is that it is incrementally dominating the downstream search engine results page ("SERP") by introducing its own content and squeezing out its downstream rivals from the SERP. It does this by self-preferencing its own Travel Unit and pushing rival sites down and out the SERP. Those travel and accommodation providers that wish to get lucrative visibility on the SERP must pay significant amounts of money to Google. Those travel and accommodation intermediation platforms with deep enough pockets survive as they can afford to "pay to play" while SME platforms are slowly squeezed out the market.

6. In Chapter 3, the Inquiry also covers other platform competition issues such as pricing parity, heavy business user funded discounting by leading platforms and the impact that imbalances in corporate tax rates have on platform competition. There is no clear justification for wide pricing parity and evidence suggests increased platform competition and platform funded discounts are more likely to occur absent wide parity. Furthermore, the Inquiry finds no evidence of alleged free-riding and billboarding absent narrow parity restrictions, but it does find that it frees accommodation providers to adopt their own pricing strategies, and some have indicated that they are prepared to charge lower prices. Leading platforms can leverage their "leading status" and the importance of visibility on its platform to obtain business user funded discounts. Such discounts, which are heavily applied in the case of accommodation intermediation, can further entrench the leading platform considering that they cannot be reasonably replicated by rival platforms. Price parity and distortionary discounting are tools used by platforms, particularly leading platforms, that appear to be designed to take advantage of consumer heuristics. For example, over time consumers learn that searching elsewhere does no render cheaper results and may ceases to search altogether. Lastly, the lower corporate taxes that global OTAs enjoy mean that they have more resources to reinvest into developing their platforms, acquire customers or discount more intensely.

7. In chapter 4, the Inquiry investigated factors that impacted business user competition and treatment. Like with Google, prominent visibility on platforms drives significantly more consumer traffic. The Inquiry finds that business users often pay for visibility and that the highest ranked positions on the leading platform results page are predominantly from sponsored or discounted listings. Furthermore, sponsored results are not clearly marked as being sponsored thereby impacting consumer choice and competition. The same is true for MSE results that often do not offer the cheapest rate in the most visible display. The Inquiry finds that large hotel chains can negotiate favourable commissions with OTAs, and this is likely to distort business user competition considering that some hotel chains are able to get better visibility on the platform at lower rates than those charged to smaller hotels. Furthermore, feedback from the Redflank Survey indicated several issues that hotels considered unfair such as no parity in payment terms between platforms and hotels, rigid overbooking and cancellation policies, and unfair dispute mechanisms. Lastly, the Inquiry found very little HDP transformation in the tourism industry, at the platform level as well at the hotel level.

1. Platform Market Delineation

1.1. Value proposition for customers and business users

8. Online travel and accommodation platforms effectively provide an online marketplace for suppliers of travel and accommodation products and services to sell hotel and accommodation room nights, car rental days, activities, flights, and bus trips to consumers who can easily access a broadened set of options to suit their needs, compare prices, book and seamlessly complete transactions. In short, platforms broaden consumer and supplier connection points. Metasearch sites also help consumers with price comparison across platforms and on the websites of service providers. Metasearch sites function as a form of lead generation to online platforms and suppliers, to enable them to reach more consumers.

1.1.1. Customer value proposition

9. The aggregative nature of online travel and accommodation platforms provides convenient means for customers to search, compare and find travel and accommodation services in a standardized format, as such it forms part of the online "customer journey". Instead of using each individual travel and accommodation providers' sales channel (i.e., website, telephone) to gather the relevant information, process it and make a booking, customers are granted free access to easily and effectively search, compare and select through thousands of aggregated and standardized listings on the platform and make instant bookings.[4] Online intermediation platforms also have filter functionalities, where customers can narrow down their search results, using factors such as the price range, ratings scores and reviews, cancelation policies, location, etc., depending on the service type.

10. When one compares online travel and accommodation platforms with other traditional sales channels, online platforms offer customers more control and provide customers with more display information keeping customers informed.[5] Information such as ratings and written reviews by customers, graphical content, and written descriptions of the service offering, help consumers to make better informed purchasing decisions particularly for heterogeneous products like accommodation[6]. Some of the online travel and accommodation platforms are one-stop shops and have capabilities to offer bundled travel products, where customers can book and package the travel services (i.e., accommodation services, flights, car rentals and activities) under one transaction. Furthermore, unlike traditional brick-and-mortar travel agencies that have limited operating hours and working days, online travel and accommodation platforms are "always" readily available for customers to access and use. Accordingly, the convenience of online travel and accommodation platforms reduces search costs for customers, enhances customer choices and makes it easier for them to process bookings and cancellations.

1.1.2. Business user value proposition

11. On the supply side, online travel and accommodation platforms are an important distribution channel for travel and accommodation providers as such they generate a significant proportion

[4] Consumers do not have to pay or have sign up an account with the platform for them to have access.
[5] By traditional sales channels we refer to brick-and-mortar travel agents that have traditionally served as intermediaries between business users and customers, facilitating travel arrangements in the offline segment.
[6] Accommodation includes a variety of hotels, resorts and "alternative accommodation" (e.g., vacation homes, villas, apartments, rooms in a house, granny flats etc.)

of their revenues from platforms.[7] The ability of online platforms to attract large volumes of customer traffic, coupled with rigorous online marketing strategies, makes them a key channel for bookings and an important marketing tool to generate leads for travel and accommodation service providers.[8] In many cases, it is also a cheaper alternative for some travel and accommodation providers to market their services via online intermediation platforms than engage in their own marketing strategies[9].

12. The global online travel and accommodation platforms also offer domestic travel service providers with unique opportunities to tap into a global customer base[10] and attract foreign travellers. Hotels surveyed have indicated that they continue to list with certain global platforms (e.g., Expedia) because of the international bookings that hotels generate from these platforms.[11] Platforms can also be used to reach new customers as well as new customer segments (e.g., new demographics)[12]. In addition, some platforms also offer their travel and accommodation service providers with added services that give the providers more insights and control of their businesses, such as data collection, analytical tools or dashboards. [redacted]

1.2. Adoption and use of online platforms

1.2.1. Impact of Covid-19 on the South African tourism industry

[7] For example, as demonstrated in the CC survey conducted by Redflank (2021), slide 79-82, revenues generated by a single platform often accounts for over 50% of an establishment's revenues. This is the case for small hotels, which may not have websites sophisticated enough to complete bookings. Similarly, this features heavily for large metro hotels as they typically operate in highly touristic areas and depend on platforms to acquire customers (discussed later in the Report).
[8] This is due to high marketing costs such as Google Ads and metasearch to get enough visibility on the search engine to attract sufficient consumer traffic. These marketing costs are discussed in further detail in Section 2.2 and 2.3.
[9] ATKV, OS, p.11. While this argument might be true for most travel and accommodation service providers, there have been instances where other travel and accommodation service providers have moved away from distributing through online intermediary platforms and opting to use their own marketing strategies which they have been considered cheaper. Using online intermediary platforms is typically cheaper for a business user than marketing its own website directly through Google Search.
[10] Expedia,OS, p. 4, para.15
[11] [redacted]
[12] ATKV, OS, p.14
[13] [redacted]

13. Tourism was identified as a key driver of growth by President Ramaphosa in the 2018 State of the Nation Address ("SONA")[14] and a means to absorb youth employment in the 2019 SONA[15]. Subsequently, the Presidency indicated support for destination marketing in key tourism markets, to enhance tourism safety, to reduce regulatory barriers and develop emerging tourism businesses[16]. The 2019 SONA also revealed government's targets to attract 21 million tourists by 2030, up from 10 million tourists in 2018[17].

14. Tourism is an important potential driver of growth in the South African economy as well as a labour-intensive industry with the potential to boost employment. The direct contribution of the tourism sector to Gross Domestic Product ("GDP") is estimated to be R146.2bn in 2018 and R209.2bn in 2019, constituting of 2.7% and 3.7% direct contributions to GDP[18]. Similarly, it accounted directly for 611 737 jobs in 2018 and 773 533 jobs in 2019 representing 3.7% and 4.7% of overall employment respectively[19]. This amounted to a 26.4% increase in people employed in the sector over the period. Inbound tourism expenditure had grown by 11.7% from R108.8bn in 2015 to R121.5bn in 2019, representing an average year-on-year growth of 2.8%[20]. Domestic tourism expenditure grew from R168.5bn in 2015 to R330bn in 2019, representing a 95.9% increase over 4 years and a 71% jump between 2018 and 2019.

15. The Covid-19 pandemic resulted in a range of travel restrictions imposed which had a detrimental impact on tourism in South Africa and globally. In March 2020, President Ramaphosa declared a national state of disaster under the Disaster Management Act 57 of 2002 and saw the formation of the National Coronavirus Command Council ("NCCC"). To ensure prioritization of the response to the pandemic and combat the spread of the virus, the NCCC put in travel restrictions such as land port and seaport closures as well as measures restricting interprovincial travel during periods of hard lockdown[21]. South Africa did not receive

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[14] Ramaphosa, C. 2018. 2018 State of the Nation Address. Available at https://www.gov.za/speeches/president-cyril-ramaphosa-2018-state-nation-address-16-feb-2018-0000 (Accessed on 15 February 2022).
[15] Ramaphosa, C. 2019. 2019 State of the Nation Address. Available at https://www.gov.za/speeches/president-cyril-ramaphosa-2019-state-nation-address-7-feb-2019-0000 (Accessed on 15 February 2022).
[16] Ramaphosa, C. 2018. 2018 State of the Nation Address. Available at https://www.gov.za/speeches/president-cyril-ramaphosa-2018-state-nation-address-16-feb-2018-0000 (Accessed on 15 February 2022).
[17] Ramaphosa, C. 2019. 2019 State of the Nation Address. Available at https://www.gov.za/speeches/president-cyril-ramaphosa-2019-state-nation-address-7-feb-2019-0000 (Accessed on 15 February 2022).
[18] Statistics South Africa (2021). Tourism Satellite Account for South Africa. Available at http://www.statssa.gov.za/publications/Report-04-05-07/Report-04-05-072019.pdf (Accessed on 17 February 2022). p. 1.
[19] Statistics South Africa (2021). Tourism Satellite Account for South Africa. Available at http://www.statssa.gov.za/publications/Report-04-05-07/Report-04-05-072019.pdf (Accessed on 17 February 2022). p.2.
[20] Own calculations using data from Statistics South Africa (2021), p. 1. Tourism Satellite Account for South Africa. Available at http://www.statssa.gov.za/publications/Report-04-05-07/Report-04-05-072019.pdf (Accessed on 17 February 2022).
[21] Interprovincial travel was restricted between 27 March 2020 and 25 July 2020.

inbound travellers for a period of six months from April to September 2020[22] and has been subjected to an array of travel restrictions since[23]. Inbound and domestic travellers dropped drastically, where the volume of inbound tourists decreased by 72.6% from 10,2 million in 2019 to 2,8 million in 2020[24]. This included a 74.2% decrease in overseas travellers and a 71.8% decrease[25] in travellers from SADC countries[26].

16. Tourism has suffered a demonstrable decline due to the pandemic and subsequent travel restrictions. It was recorded that by May 2020, flight departures had fallen by about 80%, hotel bookings by more than 70% and car rentals had fallen by more than 50% from their January 2020 levels[27]. A survey that was commissioned by the Department of Tourism, with a focus on SMMEs between 11-16 April 2020, found that the tourism sector experienced a drastic decline on revenue[28] with over 83% of the surveyed firms experiencing a decline of more than 50% in revenue.

17. The Market Inquiry tracked overall site traffic[29] (comprising of mobile and desktop traffic) across 61 websites[30] offering online intermediation platform services between business users and consumers ("B2C" intermediation). This included online intermediation for accommodation, metasearch sites[31], flights, car rentals, activities[32] and bus transport. As depicted in Table 1 below, overall site traffic decreased by 44.6% across travel and accommodation intermediation platforms between 2019 and 2020. This figure is also corroborated by a 44.6% decrease in total

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[22] Statistics South Africa (2021). SA tourism industry struggles amidst COVID-19 pandemic. Available at http://www.statssa.gov.za/?p=14281 (Accessed on 09 February 2022).
[23] This includes numerous travel bans placed on travellers from South Africa including those following the outbreak of the Omicron variant in December 2021.
[24] Statistics South Africa (2021). SA tourism industry struggles amidst COVID-19 pandemic. Available at http://www.statssa.gov.za/?p=14281 (Accessed on 09 February 2022).
[25] Own calculations from data in Statistics South Africa (2021). SA tourism industry struggles amidst COVID-19 pandemic. Available at http://www.statssa.gov.za/?p=14281 (Accessed on 09 February 2022).
[26] Most inbound tourists come from the SADC, comprising of 74,8% of overall inbound tourists in 2020. In the same period 23.6% of inbound tourists came from overseas (outside of Africa) and 1.5% from other African countries. (Statistics South Africa, 2021).
[27] MacDonald, M. Piazza, R. and Sher, G. 2020. A Simple Guide to Estimating the Impact of COVID-19 on Travel and Hospitality Activity. *International Monetary Fund.*
[28] Department of Tourism. Annual Performance Plan 2020/21 - 2022/23. Page 19. Available online: https://www.tourism.gov.za/AboutNDT/Publications/Annual%20Performance%20Plan%202020-23.pdf (Accessed on 24 May 2021]), p.19.Available online: https://www.tourism.gov.za/AboutNDT/Publications/Annual%20Performance%20Plan%202020-23.pdf (Accessed on 24 May 2021), p.19.
[29] Analysis done using site traffic data from Similarweb, a web traffic estimator listed on the New York Stock Exchange.
[30] This includes 24 platform domains (websites) that focus predominantly on accommodation intermediation, 8 flight intermediation websites, 13 metasearch lead generating domains, 6 car rental intermediation domains, 5 bus and 5 activity intermediation domains.
[31] Metasearch site are effectively aggregators of travel and accommodation products and services that allow for price comparisons and subsequent lead generation.
[32] Also referred to as "experiences" or things "things to do".

revenues[33] submitted by 45 online travel and accommodation intermediation platforms[34]. Similarly, accommodation platforms experienced a 34.0% and 38.5% decrease in site traffic and revenues respectively. Bus intermediation platforms were the least impacted with a 10.3% decrease in revenues. Flights, car rentals, metasearch sites and activities were the hardest hit with over a 50% decrease in site traffic and revenues (online flight intermediation platforms were the hardest hit, experiencing a 75.6% decline in revenues in 2020).

Table 1: The impact of the covid pandemic on site traffic and revenues for travel and accommodation platform intermediation

Category of travel & accommodation	Changes in site traffic			Changes in overall revenues
	2020/2019	2021/2020	2021/2019	2020/2019
Accommodation	-34.0%	15,5%	-23,8%	-38,5%
Metasearch	-55,5%	0,1%	-55,5%	-57,8%
Flights	-64,2%	23,3%	-55,9%	-75,6%
Buses	-39,2%	54,9%	-5,9%	-10,3%
Car Rentals	-52,5%	0,6%	-52,3%	-60,5%
Activities	-55,8%	32,2%	-41,6%	-57,8%
Total travel & accommodation	**-44,6%**	**14,2%**	**-36.8%**	**-44,6%**

Source: Commission's own calculations using site traffic data from Similarweb, and revenues submitted by online platform intermediaries.

18. As lockdown restrictions were eased and international travel opening, with intermittent closures, activity in the travel and accommodation sector had remained significantly lower during 2021, than it did in 2019. Overall, travel and accommodation site traffic increased by 14.2% in 2021 but was still 36.8% below overall site traffic in 2019. Bus site traffic rebounded sharply by 54.9% in 2021, followed by activities (32.2%), flights (23.5%) and accommodation (15.5%). Despite these rebounds, overall site traffic in these categories of travel and accommodation were still significantly below 2019 levels (except buses). Interestingly, metasearch site traffic had remained unchanged for 2021 and was negative if one excluded Cheapflights[35]. These

[33] Revenues vary across category of travel and accommodation service and typically include commissions, cost-per-click revenues, mark-ups, overrides etc.
[34] Values for Expedia's platforms Orbitz, Hotels.com, Hotwire etc. (except for Vrbo) are reported collectively as "Expedia". Similarly values for Tripco's platforms, Lekkeslaap and Travelground, are reported collectively as "Tripco".
[35] Metasearch traffic decreased by 4% from between 2020 to 2021 when one excludes Cheapflights from the observations. Cheapflights traffic grew by 23.5% over this period largely because of paid search (discussed later). Source: Similarweb data.

metasearch site traffic figures do not include the Google Travel Unit[36] which had grown rapidly over the past few years. Lastly, traffic on car rental platforms did not improve in 2021.

1.2.2. Shift to online search and bookings

19. Online Travel Agents ("OTAs") have existed since the early adoption of the internet by households in the 1990s and like several large tech companies such as Amazon, preceded and survived the dot.com bubble. For example, Expedia (i.e., initially launched by Microsoft)[37] and Booking.com both started in 1996[38] and have gone on to become two largest OTAs globally[39]. The use of online services in tourism has grown significantly over time and as of 2015, it was estimated that online revenues accounted for 21.6% of global travel[40]. According to a 2017 survey conducted by Travelport, 86% of South African travellers use travel booking sites to help them discover new and exciting destinations in planning phase of the customer journey[41].

20. Smartphone penetration and adoption coupled with faster internet speeds and decreasing internet costs have corresponded with increases in internet access and site traffic to travel and accommodation platforms. According to the Independent Communications Authority of South Africa ("ICASA"), smartphone subscriptions increased from 24.34 million in 2016 to 60.44 million in 2020[42] in South Africa, suggesting at least 1 smartphone per capita in 2020 and an average year-on-year increase of 25.5%[43] in smartphone penetration over the period. 4G

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[36] Google Travel effectively operates like metasearch sites in that allows for price comparison and lead generation. Similarweb does not appear to have site traffic data for Google Travel.
[37] Expedia Group. Available at: https://www.expediagroup.com/who-we-are/our-story/default.aspx#module-tabs_item--1 (Accessed on 13 February 2022).
[38] Booking.com started as Booking.nl and through acquisitions (itself being acquired by US company Priceline) and organic growth established itself as Booking.com in 2006. Other online intermediaries from the 1990's include Lastminute.com, Travelocity and Tripadvisor were also launched in the 1990s.
[39] Currently Booking.com is the highest ranked website for site traffic in the "accommodation and hotels" segment globally and by far the highest ranked (by site traffic) across the entire travel and tourism segment in South Africa for April 2022 (using Similarweb ranking features).
[40] Hong J. (2018). Rise of the Sharing Economy and the Future of Travel and Tourism Industry. J Hotel Bus Manage 7: 180 Goga, S. (2020). The Impact of Digital Platforms on Competition in the South African Tourism Industry. *CCRED, the DTI, SARChI – Discussion Paper 4.*
[41] Travelport, 2017. The South African Digital Traveler Research. Available at: https://www.motsamayi.com/wp-content/uploads/2017/11/Travelport-South-Africa-Report-FINAL.pdf (Accessed on 11 February 2022).
[42] ICASA, 2021. The state of the ICT Sector Report in South Africa: 2021. *Independent Communications Authority Of South Africa.* Available at: https://www.icasa.org.za/uploads/files/State-of-the-ICT-Sector-Report-March-2021.pdf (Accessed on 17 February 2022).
[43] Own calculations.

coverage has increased significantly since 2014[44] and relative data speeds have improved[45]. Prepaid data bundle prices have also decreased from 2020 to 2021 although post-paid data bundle prices remaining static[46]. Like the trend in smartphone penetration, site traffic to online travel and accommodation intermediation platforms increased at a year-on-year rate of 23.3%[47] between 2016 to 2019. This link between smartphone penetration and improved internet is emphasized by the largest OTA's [48] [49].

21. The largest proportion of bookings are made using smartphone driven technology such as improved web search capabilities and applications. According to Statcounter, mobile penetration in South Africa accounted for 78.35% of internet traffic whereas desktop and tablets accounted for 20.22% and 1.43% of traffic respectively in 2021[50]. The Market Inquiry calculated online intermediation revenues derived from app bookings and found that they increased from 22% in 2018 to 42% in 2020[51]. The remaining online booking value was derived almost entirely from either mobile or desktop web-based bookings, where mobile web traffic accounted for approximately 68% in 2019 and 69.7% in 2021[52]. Approximately 78.5% of all 2020 revenues generated by online travel and accommodation platforms, were generated using a smartphone.

22. Adoption of online intermediation platforms have differed across various categories of travel and accommodation, where each category encompasses a different business model. For example, it is relatively mature for accommodation and flights, underdeveloped for bus transport

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[44] For example, Vodacom's 4G coverage increased from 38.4% in FY2015 to 85% by the end of 2018. (Data Services Market Inquiry (2019), p.36. Available at: https://www.compcom.co.za/wp-content/uploads/2019/12/DSMI-Non-Confidential-Report-002.pdf (Accessed on 17 February 2022).

[45] In the global Speedtest ranking, South Africa was ranked 90th in 2019 and improved slightly to 87th in 2020 for fixed broadband and was ranked 60th for mobile broadband in 2019 and improved to 55th globally.

[46] For example, the most expensive 1GB data bundle would cost R149 in 2020 but cost R99 in 2021. ICASA (2021). The state of the ICT Sector Report in South Africa: 2021. *Independent Communications Authority of South Africa*. Available at: https://www.icasa.org.za/uploads/files/State-of-the-ICT-Sector-Report-March-2021.pdf (Accessed on 17 February 2022).

[47] Own calculations using site traffic data submitted by 17 travel and accommodation platforms.

[48] For example, Booking Holdings note that "*it is increasingly important for us to effectively offer our services on mobile devices through mobile apps and mobile-optimized websites and to tailor our services to varying devices and platforms. Any failure by us to successfully develop and achieve consumer adoption of our mobile platforms would have a material and adverse effect on our growth, market share, business and results of operations.*" (Booking Holdings Annual Report, Form 10-K SEC Filing for the Year Ended December 31, 2020, p.19.).

[49] Expedia notes that "*the demand for and functionality of smartphones, tablet computers and home assistants continue to grow and improve significantly. If we are unable to offer innovative, user-friendly, feature-rich mobile applications and mobile-responsive websites for our travel services, along with effective marketing and advertising, or if our mobile applications and mobile-responsive websites are not used by consumers, we could lose market share to existing competitors or new entrants.*" (Expedia Group Annual Report Form 10-K SEC Filing for the Year Ended December 31, 2020, p.11).

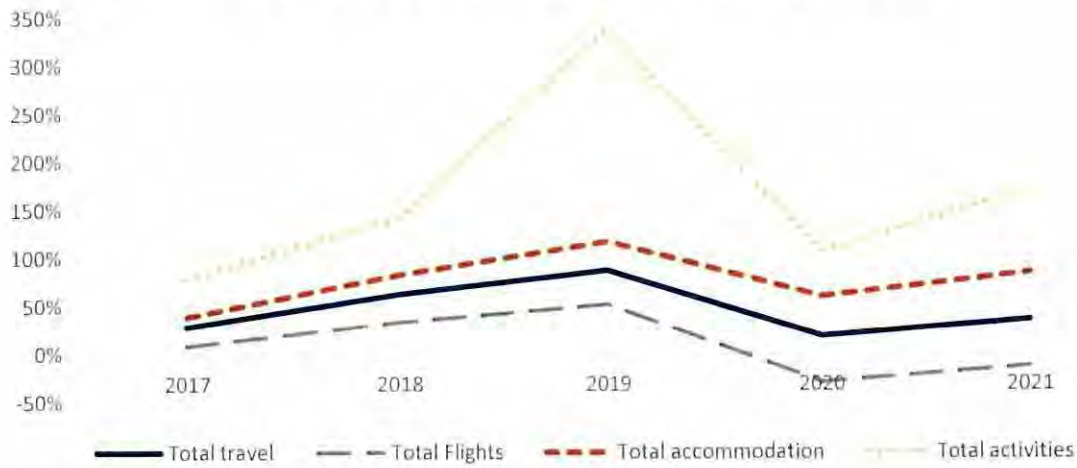
[50] Statcounter (2022). Desktop vs Mobile vs Tablet Market Share South Africa. Available at: https://gs.statcounter.com/platform-market-share/desktop-mobile-tablet/south-africa (Accessed on 17 February 2022).

[51] Own calculations multiplying app usage rates (submitted by platforms) by revenues across 7 platforms (coverage accounts for 80% of travel and accommodation revenues in 2020).

[52] Own calculations using Similarweb data across 61 travel and accommodation intermediation and metasearch domains.

and nascent for activities. Having said that, online adoption for travel and accommodation intermediation was increasing rapidly before covid. The Market Inquiry tracked changes in site traffic data submitted by platforms[53] since 2016 which are depicted in Figure 1 below. Between 2016 and 2019, site traffic to travel and accommodation intermediaries almost doubled (grew by 87%), representing an average year-on-year growth rate of 23.3%. Over this period, online traffic grew by 52% for flights, 117% for accommodation and 338% for activities, representing an average year-on-year growth of 15%, 29.5% and 63.6% respectively. As discussed previously and depicted graphically, the covid pandemic resulted in a major reduction in online traffic for travel and accommodation intermediation platforms and recovery in 2021 has been slow.

Figure 1: Percentage change in site traffic per calendar year since 2016



Source: Commission's own calculations using site traffic data submitted by 17 platforms, 2021 figures adjusted using Similarweb data.

23. Online adoption by travel and accommodation category follows below:

23.1. **Accommodation** - The shift to online intermediation platforms happened a while ago however this has appeared to have accelerated with increased internet usage and smartphone adoption[54]. The benefit of online platforms is that it allows users to be able to

[53] These figures relate to 8 platforms primarily focused on accommodation, 6 on flights and 2 on activities.

[54] [redacted]

gain access to far more information than they may have had historically thereby putting them at ease with the accommodation they are purchasing [55] [56].

23.2. **Flights** - The shift to online intermediation of flights is relatively mature. This is because there are fewer discoverability issues for consumers in flights due to a limited number of airline options. Furthermore, airlines have their own sophisticated websites that allow for flight search, booking and payment, and flights are easily compared on price which may make it easier to compare and book directly. Having said that, traffic to online flight platforms have increased at an average year-on-year rate of 15% between 2016 and 2019 and have recovered by 23.5% in 2021 (from 2020), suggesting the resiliency of online intermediation of flights and that there are still growth opportunities.

23.3. **Car rentals** - The shift to online platforms for car rentals is relatively new in South Africa and has been somewhat slow. Revenues generated from online car rental intermediaries increased by 11.7% between 2018 and 2019, below the online travel and accommodation intermediation average of 20.6% over the same period[57]. Online intermediation platforms tend to focus on airport car rentals, with limited lead generation and transaction completion at downtown car rental locations[58].

23.4. **Activities** – This new addition to the travel and accommodation online intermediation platforms and revenues accounted for less than 2% of overall revenues in 2021. Having said this, activities is in a high growth phase, and has the potential to open a new form of supply of travel related products to the market such as township and neighbourhood tours, cultural activities and local cooking classes and cuisines.

23.5. **Buses** - The adoption of online platforms for the distribution of bus tickets in South Africa is still relatively underdeveloped and new. Online bus intermediation platforms appear to have started taking shape since 2018. Furthermore, it is underdeveloped from both a supply-side and demand-side perspective. From the supply-side many bus operators, except the larger ones, do not have the technical capabilities nor are they able to afford

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[55] For instance, most online accommodation listings come with multiple pictures of the accommodation, detailed write-ups of the facilities available, reviews and maps showing the location of the accommodation. This allows a customer to make a purchase or booking with confidence.
[56] Airbnb, SOI, p. 3. para.3.9
[57] Own calculations based on submitted revenue figures.
[58] SAVRALA, OS, p. 23, para. 25; [redacted]

them when it comes to integrating their API with online platforms[59]. From the demand-side, the major target market is lower LSM groups which typically prefer to purchase their bus tickets in-store[60]. According to Intercape, adoption to new methods of distributing bus tickets has been relatively slow historically speaking, this includes online distribution[61].

1.2.3. Size of online travel and accommodation intermediation platforms

24. Based on a comprehensive set of submissions across 45 platforms, online intermediation revenues comprising of commissions, cost-per-click, cost-per-acquisition, mark-ups, and override revenues accounted for approximately between R[1.7 and 3]billion in 2019 and had dropped by 45% in 2020 following the outbreak of the pandemic. Similarly, these values equated to a gross booking value of approximately R[15 to 20] billion in 2019. For example, online travel accommodation intermediation accounted for approximately [25-35]% of total inbound and domestic tourism demand for accommodation services in South Africa[62]. In terms of monthly visit data, Booking.com was South Africa's market leader in the broad travel and tourism category by a significant margin[63].

25. **Table 2** below reflects the break-down of revenues earned by each category of travel and accommodation. Accommodation is by far the largest category, accounting for over 70% of revenues earned in 2019 and over 80% in 2020. Metasearch and car rentals consist of a relatively small portion of overall travel and accommodation intermediation revenues (just less than 5% in 2020) and this share is unlikely to increase for 2021[64]. Bus and activities each ranged between 0-5% of the overall share in 2020 but demonstrating some recovery for 2021[65]. Overall, the Booking Holdings stable including the Booking.com, Agoda, Booking.com Transport Limited (Rentalcars) platforms and metasearch sites Cheapflights, HotelsCombined, Momondo and

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[59] FlightS, OS, p. 2.
[60] [redacted]
[61] Intercape, OS.
[62] According to StatsSA, total inbound and domestic tourism expenditure was R299.62bn in 2019. Statistics South Africa (2021). Tourism Satellite Account for South Africa, p.20. Available at http://www.statssa.gov.za/publications/Report-04-05-07/Report-04-05-072019.pdf (Accessed on 17 February 2022)., see p.20.
[63] Using Similarweb data, Booking.com had 3.1 million monthly visitors over the period February 2022 to April 2022, this was followed by Uber with 1.6million visitors, Flysafair with 1.3million visitors, and Tripadvisor with 760k visitors. This means that Booking.com was larger than the next largest platform, Uber, by a factor of 2.
[64] Given that site traffic remained roughly the same for metasearch and car rentals in 2021.
[65] Given site increases in site traffic for this year.

Kayak.com accounted for over half of South Africa's overall travel and accommodation online intermediation revenues in 2019 and 2020 respectively[66].

Table 2: Total revenues earned by each category and respective overall share in 2019 & 2020

Revenues (Rm) & shares (%)	2019	2020	2019	2020
Accommodation			[70-80] %	[80-90] %
Flights (domestic)			[5-10] %	[0-5] %
Car rentals			[5-10] %	[0-5] %
Metasearch			[5-10] %	[0-5] %
Buses			[0-5] %	[0-5] %
Activities			[0-5] %	[0-5] %
Total			**100%**	**100%**

Source: Commission's own calculations using revenue data submitted by 45 platforms

26. Global platforms dominate the online intermediation market for accommodation with Airbnb and Booking.com accounting collectively for over three quarters of commission revenues earned in South Africa for each calendar year between 2018 and 2020, where Booking.com consistently accounted between 50% and 60% of commission revenues over the 2018 to 2020 period. In this period, Airbnb has been the fastest grower of platform revenue share, growing at a double-digit rate year-on-year[67]. Expedia has been the largest loser of market shares, and this corroborates with travel restrictions and the fact that Expedia typically attracts international travellers[68]. Domestic platforms collectively account for roughly 10% of commission revenues with Tripco, owner of the Lekkeslaap and Travelground branded platforms, being the largest. The platform revenue share of domestic platforms had also decreased slightly between 2018 and 2020[69].

[66] Own calculations based on information submitted. Booking Holdings accounted for [redacted] and [redacted] of online intermediation in 2019 and 2020 respectively.
[67] Airbnb's market share grew from [redacted] to in 2018 to [redacted] in 2020, representing an average year-on-year growth in market share of [redacted]
[68] Expedia, OS, p.45-56.
[69] Domestic platform market shares decreased from [redacted] in 2018 to [redacted] in 2020, representing an [redacted] decrease in market shares during this period.

Table 3: Platform revenue shares for online accommodation intermediation

Accommodation platforms	Commission revenues (%)		
	2018	2019	2020
Booking.com	[50-60] %	[50-60] %	[50-60] %
Agoda	[0-5] %	[0-5] %	[0-5] %
Airbnb	[15-20] %	[20-30] %	[20-30] %
Expedia	[5-10] %	[5-10] %	[0-5] %
Other global	[0-5] %	[0-5] %	[0-5] %
Tripco (Lekkeslaap/Travelground)	[5-10] %	[5-10] %	[5-10] %
SafariNow	[0-5] %	[0-5] %	[0-5] %
Afristay	[0-5] %	[0-5] %	[0-5] %
Other domestic	[0-5] %	[0-5] %	[0-5] %
Total accommodation	100,0%	100,0%	100,0%

Source: Commission's own calculations

27. Online flight intermediation is the only category (except buses) where domestic platforms are the largest in South Africa. Travelstart is the largest flights intermediation platform in South Africa with a platform revenue share of over 60% in 2018 and 2019. The pandemic has severely impacted the industry, particularly Travelstart, which experienced a significant drop in platform revenue share. This, however, has coincided with another development in online flight intermediation with the entry of Computicket in 2019 and its rapid expansion since. In 2020 Computicket accounted for over 20% of platform revenue share.

Table 4: Platform revenue share for online flight intermediation

Flight platforms	Flight Revenues		
	2018	2019	2020
Travelstart	[70-80] %	[60-70] %	[40-50] %
eDreams ODIGEO	[10-15] %	[15-20] %	[15-20] %
Expedia	[10-15] %	[10-15] %	[5-10] %
Computicket	-	[0-5] %	[20-30] %
Lekkevlieg	[0-5] %	[0-5] %	[0-5] %
Other flights	[0-5] %	[0-5] %	[0-5] %
Total flights	**100,0%**	**100,0%**	**100,0%**

Source: Commission's own calculations

28. Since 2018, the three major metasearch sites have been Trivago, Tripadvisor and those within the Booking.com stable. Trivago, however, has been losing significant platform revenue share

since 2018 with a significant and steady revenue decline between 2018 and 2020[70]. Conversely Google Hotel Ads platform revenue share grew to over 20% in 2020, with annual growth in revenues being in the triple digits[71]. There appears to be no domestic-based metasearch platforms operating in South Africa.

Table 5: Share of metasearch site revenues

Metasearch sites	Metasearch Revenues		
	2018	2019	2020
Cheapflights	[15-20] %	[15-20] %	[20-30] %
Kayak/Momondo/HotelsCombined	[5-10] %	[0-5] %	[0-5] %
(Booking Holdings total metasearch)	*[20-30] %*	*[20-30] %*	*[20-30] %*
Trivago	[40-50] %	[30-40] %	[20-30] %
Tripadvisor	[15-20] %	[20-30] %	[15-20] %
Skyscanner	[0-5] %	[5-10] %	[0-5] %
Google Hotel Ads	[0-5] %	[15-20] %	[20-30] %
Google Flights	-	[0-5] %	-
Total Metasearch	**100,0%**	**100,0%**	**100,0%**

Source: Commission's own calculations

29. The online car rental intermediation market is effectively comprised by three global platforms, namely: Booking.com Transport Limited ("BTL"), also known as Rentalcars[72], Cartrawler and Expedia which includes its Carrentals Brand. BTL is the largest B2C intermediation platform comprising of over 60% of the platform revenue share. Cartrawler is technically a B2B intermediary which obtains supply of rental cars from car rental operators and then partners with B2C platforms to distribute its car rentals[73]. There is one small domestic car rental platform called JustCarHire which has not been able to make any material impact on the share of online car rental intermediation in South Africa[74]. Airline websites also serve as platforms to distribute car rentals; however, this is typically a small proportion of overall platform revenues[75].

[70] Trivago's revenues have declined by [redacted] between 2018 and 2020 and considering changes in site traffic data going into 2021, which decreased significantly by [redacted], it is not likely to improve. (Changes in site traffic calculated using Similarweb data).

[71] For example, Google Hotel Ads' growth from 2018 to 2019 was [redacted] for revenues and [redacted] for the number of transactions. Year-on-year growth for Google Hotels revenues was [redacted] between 2018 and the pandemic year (2020), which reflected a decline since 2019.

[72] Bloomberg. Available at: https://www.bloomberg.com/profile/company/2896091Z:LN [accessed 12 July 2022]

[73] [redacted]

[74] In 2020, JCH's online intermediation platform revenue share was [redacted]

[75] [redacted]

Table 6: Share of online car rental intermediation platform revenues

Car rental platforms	Car Rental Revenues		
	2018	2019	2020
BTL/Rentalcars	[60-70] %	[60-70] %	[60-70] %
Expedia	[5-10] %	[5-10] %	[5-10] %
Car Trawler	[15-20] %	[15-20] %	[15-20] %
eDreams ODIGEO	[0-5] %	[0-5] %	[0-5] %
Travelstart	[0-5] %	[0-5] %	[0-5] %
Other B2C car rental distributors	[5-10] %	[5-10] %	[5-10] %
Total Car Rentals	**100,0%**	**100,0%**	**100,0%**

Source: Commission's own calculations.

30. There are two large activity providers in South Africa: German-based GetYourGuide which has grown its platform revenue share by over 50% between 2018 and 2020 and UK-based Viator which saw its platform revenue share drop over this period. Notwithstanding this, both platforms had a platform revenue share of over 40%. Again, as with accommodation, Airbnb appears to be growing steadily and had gained some platform revenue share from a low base in 2018. The provision of online activity intermediation appears to be dominated by global platforms with the monetisation of Google's "Things to do" a possibility. Like in the car rental space, South Africa's Funguru platform (Res Africa) has yet to make headway in online activity intermediation.

Table 7: Share of online activities intermediation platform revenues

Activity Platforms	Activity Market Shares		
	2018	2019	2020
GetYourGuide	[30-40] %	[30-40] %	[40-50] %
Viator	[60-70] %	[50-60] %	[40-50] %
Airbnb	[5-10] %	[5-10] %	[10-15] %
Other activities	[0-5] %	[0-5] %	[0-5] %
Total Activities	**100%**	**100%**	**100%**

Source: Commission's own calculations.

31. In the online intermediation of bus tickets market, Computicket has maintained a platform revenue share of over 40%. This stable and high market share is likely to be a result of its brand name and awareness it creates by having a prominent in-store presence where [redacted]

bus tickets are sold[76]. Flightsite's platform revenue share, however, declined significantly by between 2019 and 2020[77] and this has corresponded with a growth of Canadian-based internet company, Busbud, where its share of platform revenues roughly tripled over that period.

Table 8: Share of online bus intermediation platform revenues

Bus Platforms	Market Shares	
	2019	2020
Flightsite	[50-60] %	[30-40] %
Computicket	[40-50] %	[40-50] %
Busbud	[5-10] %	[15-20] %
Ticketpro	[0-5] %	[0-5] %
Total Buses	**100%**	**100%**

Source: Commission's own.

1.2.4. Future growth forecast

32. Recovery in the online travel and accommodation intermediation has been somewhat slow in South Africa during the 2021 calendar year. South Africa has had five waves of covid spikes since the inception of the pandemic and May 2022. While recovery appears to be happening in 2022, uncertainties around covid continue with the threat of possible new variants and travel restrictions overshadowing it. Pundits suggest pent-up demand for travel[78] and there is a view that travel could potentially exceed 2019 levels in 2023[79]. In addition, it appears that the pandemic has resulted in a shift from offline channels to interactive online desktop and mobile channels. A study by Expedia Group in partnership with global research firm BVA BDRC finds that travellers are 57% more likely to book a hotel via an OTA than before the pandemic[80]. As such online platforms will continue to play a prominent role in the distribution of travel and accommodation products.

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[76] [redacted]

[77] It declined by [redacted] from a platform revenue share of [redacted] in 2018 to [redacted] in 2019

[78] Moodley C, (2021). Pent-up demand for local travel experiences means big boost for SA. *IOL*. Available at: https://www.iol.co.za/travel/travel-news/pent-up-demand-for-local-travel-experiences-means-big-boost-for-sa-86f7a136-ee6c-44aa-80d6-fe36d3de4d94 (Accessed on 19 February 2022). E

[79] Ekstein, N. (2022). Expedia CEO forecasts bumper travel season. *Bloomberg*. Available at: https://www.businesslive.co.za/bloomberg/news/2022-02-18-expedia-ceo-forecasts-bumper-travel-season/ (Accessed on 19 February 2022).

[80] Businesswire. (2020) Study Reveals Increasing Importance of OTA Travelers in Economic Recovery. Businesswire. Available at: https://www.businesswire.com/news/home/20201014005329/en/Study-Reveals-Increasing-Importance-of-OTA-Travelers-in-Economic-Recovery (Accessed on 19 February 2022)

33. Future growth considerations specific to each category of travel and accommodation are as follows:

33.1. **Accommodation** – the pandemic has seen the rise in remote working and the ability to effectively work from anywhere that has a stable internet connection. Staycations and long-term stays have become more frequent and are likely to become the new normal[81]. Large hotel chains are investing in their own direct booking channels but still rely on online platforms to drive consumer traffic in competitive city nodes[82], medium and smaller hotels and accommodation providers are still likely to be dependent on online platforms to drive consumer traffic in the future[83]. Areas for further growth of online platforms include alternative accommodation, an area where Airbnb and Tripco typically targets and where Booking.com has entered.

33.2. **Flights** – airline websites may become online distribution channels for some platforms and, as such, offer a broader range of travel services. For example, Tripco (owner of the Lekkeslaap brand) has partnered with Flysafair for the provision of accommodation services[84]. Historically, airlines websites have proven poor at drawing in additional parts of the journey other than airport-based car rental. Another noticeable trend in South Africa is the slow decline in the use of the GDS, as it is too expensive and too inefficient, which may see a shift by local corporates away from booking with traditional travel agents and towards booking on platforms[85].

33.3. **Metasearch** – metasearch engines can potentially evolve to become OTAs where bookings and payment are finalised[86].

33.4. **Buses** – the majority of consumers are still purchasing their bus tickets at a physical store and the transition to purchasing tickets online is slow[87]. The rate of transition might change

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[81] Hines, M. (2021). As work and school can be done from anywhere, Airbnb sees more monthly stays. *USA Today*. Available at: https://www.usatoday.com/story/travel/hotels/2021/02/09/airbnb-rentals-monthly-stays-up-covid-travel-meets-virtual-life/4375982001/ (Accessed on 19 February 2022).

[82] [redacted]

[83] CC survey conducted by Redflank, (2021). Slide 78

[84] Robertson, S. 2021. Local carrier now offers accommodation packages. Tourism Update. Available at https://www.tourismupdate.co.za/article/local-carrier-now-offers-accommodation-packages (Accessed on 19 February 2022).

[85] [redacted]

[86] [redacted]

[87] Intercape, OS, p.3, para.19-20.

with better and cheaper smartphones and cheaper data prices[88]. In addition, the younger generation are more familiar with the internet and smart phones, and this might overcome the "trust" aspect that typically limits online purchases by lower LSM groups[89]. Lastly it seems as though Computicket, as a major well-known South African brand, and Busbud, as a recent entrant are likely to be big players in this space. The latter, a Canadian-based internet company, appeals to online bookers following the search engine consumer journey and typically finds itself prominently displayed on the SERP[90].

33.5. **Activities** –activities were on a high growth path pre-pandemic and are likely to grow post-pandemic. Platform intermediaries have the potential to bring to market a new type of activity-based supply that can create new travel demand, jobs and revenue streams, particularly for HDIs and SMEs. This can take the form of community-based tourism (e.g., neighbourhood tours and culinary experiences), a fast-growing niche market.

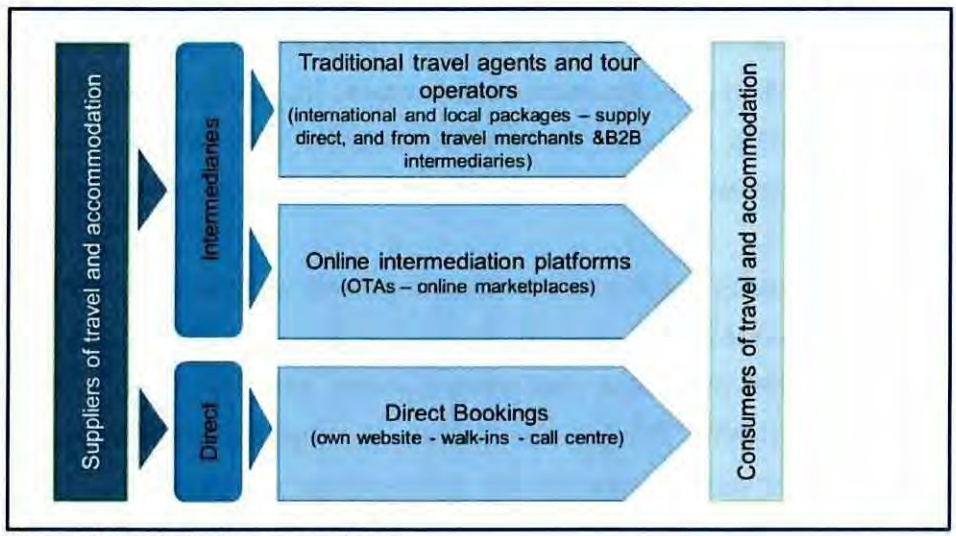
1.3. Distribution channels and competitive constraints on online intermediation platforms

1.3.1. Developing a conceptual framework to evaluate constraints

34. Submissions by online platforms have listed the following distribution channels as broadly having competitive constraints on online intermediation platforms (including marketplaces and OTAs), including other online intermediation platform markets, direct channels (such as own website, walk-ins, direct calls), offline (or traditional) travel agents[91], local tour operators, and international tour package operators. Internet search sites such as Google and metasearch sites also get noted as potential competitive constraints. A simplistic overview of the major distribution channels for travel and accommodation inventory is depicted in Figure 2 below[92].

[88] FlightS, OS, p.17.
[89] FlightS, OS, p. 17.
[90] [redacted]
[91] The term "offline" can be misleading as the so-called offline travel agents, also known as traditional travel agents, have online websites. The major difference is that these "offline" agents have traditional brick-and-mortar offices where one can walk in, make an online enquiry (but not complete booking) or call directly. For matters of clarity, we will refer to these travel agents as traditional travel agents. Traditional travel agents differ from OTAs in that the entire accommodation intermediation, including search, booking and payment occur online on the OTA's platform.
[92] Travel merchants and business-to-business ("B2B") intermediaries obtain supply from travel and accommodation service providers and on-sell to mostly traditional travel agents and tour operators.

Figure 2: Distribution channels for travel and accommodation products and services



Source: Commission's own compilation

35. The typical distribution mix differs between each category of travel and accommodation (e.g., accommodation, flights, car rentals, activities, buses) as well as within each category. For example, distribution through own website features stronger in flights relative to accommodation, however, two different hotel chains might opt to have a different distribution need for online intermediation platforms. Other features that typically impact how inventory is distributed includes[93]: (i) **location -** the amount of traffic a travel and accommodation provider enjoy depends on location e.g. urban vs rural, downtown vs airport etc., (ii) **competitive intensity** - the number of service providers in a given "catchment area" impacts on price, occupancy and particularly marketing to attract traveller traffic, (iii) **seasonality** - such as high and low season confer different strategies to attract traffic, (iv) **consumer captivity** – different distribution strategies to sell inventory to loyal customers and to attract new customers, and (v) **size** – distribution needs and dependencies might change according to the size of the operator (e.g. small /intermediate vs big or local vs global). The rest of this section evaluates traditional travel agents, metasearch engines, and examines each category of travel and accommodation and assesses distribution constraints, particularly direct channels.

[93] Ernst & Young Parthenon Report. 2021. Online Travel Agencies. Available online: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/strategy/pdf/ey-online-travel-agents-helping-european-small-independent-accommodations.pdf?download [accessed May 2022]. "Size" is own inclusion.

1.3.2. Traditional travel agents as a constraint on online intermediation platforms

36. Traditional travel agents differ from online intermediation platforms in that they typically have brick-and-mortar stores, a direct agent which one can call, and an online presence, with no or limited online intermediation operations[94]. In South Africa they sell flights, accommodation, car rental and packages[95]. Examples of traditional travel agents include Flightcentre, Harveyworld, Rennies BCD travel, Thompsons, Travelstart's Club Travel, and Expedia's Egencia. Their value proposition to customers is to offer an in-person booking experience[96], transactions for groups, and package deals[97]. Traditional travel agents typically target corporate[98] or business travellers and leisure travellers that want to have the convenience of soliciting an agents experience and his or her ability to group transactions[99]. Furthermore, traditional travel agents have the benefit of having established connections, access to deals that are not available to the public as well as the ability to negotiate better prices[100]. This is in contrast to online travel intermediation platforms which focus on the individual traveller that wishes to take charge of booking each leg of the trip, where platforms such as Booking.com do not offer packaged travel products but offer linked products where a consumer can purchase different groupings of travel products on different check out points.

37. When considering the extent to which traditional travel agents (and by extension tour operators) constrain online intermediation platforms, one observes that: (i) in South Africa traffic to the websites of traditional travel agents accounted for 2% of overall online traffic[101] to travel and accommodation intermediation platforms in the 2021 calendar year[102], (ii) there is a trend (in

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94 [redacted]

95 In South Africa, 60% of traditional travel agent revenues related to air travel, 20.8% accommodation, 5.1% car rentals and 6.9% packages in 2017. (Grant Thornton. 2018. The South African Travel Sector in 2017. p.8 Available at: http://www.asata.co.za/wp-content/uploads/2018/06/ASATA-Full-Report-The-South-African-Travel-Sector-in-2017.pdf. (Accessed on 18 February 2022)

96 Travellers booking through traditional travel agencies put a premium on personal contact and social interaction with an agent. (De Jager, K. 2014. Choosing Between Travel Agencies and the Internet. *Dissertation: Faculty of Management, School of Tourism and Hospitality, Department of Tourism Management, University of Johannesburg.*)

97 De Jager, K. 2014. Choosing Between Travel Agencies and the Internet. *Dissertation: Faculty of Management, School of Tourism and Hospitality, Department of Tourism Management, University of Johannesburg.*

98 [redacted] Also, many of these traditional travel agents specifically state that they target corporate travellers e.g. Rennies BCD Travel

99 De Jager, K. 2014. Choosing Between Travel Agencies and the Internet. *Dissertation: Faculty of Management, School of Tourism and Hospitality, Department of Tourism Management, University of Johannesburg*

100 Van Rensburg, MJ. 2014. Relevance of travel agencies in the digital age. *African Journal of Hospitality, Tourism and Leisure* Vol. 3 (2)).

101 [redacted] of this traditional travel agent site traffic data relates to Flightcentre, which also has a customer facing online intermediation platform service.

102 Own calculation using Similarweb data.

Europe at least) where there is significant growth of distributing through online channels for small and medium accommodation since 2016 and shrinking of offline channels[103] [104](iii) a shift of local corporates to booking on self-booking tools (e.g. Travel IT) and platforms, (iv) traditional travel agencies form separate business entities, for example Travelstart has Club Travel[105] and [redacted] (v) that majority of sales covered by traditional travel agents include corporate travellers (56% of sales in 2017)[107] and government entities (21% of sales in 2017) and (vi) that a considerable value of tour packages were sold by traditional travel agents (R2.7bn in turnover) [108]. When one considers the balance of evidence, it appears that traditional travel agent appeal to different product and customer segments and, as such, do not apply any meaningful constraints on online intermediation platforms. Conversely online intermediation platforms pose some constraints on traditional travel agents. This is in light of the shift of travellers including some corporates, towards online search and bookings[109].

1.3.3. Metasearch engines as a constraint on online intermediation platforms

38. Metasearch engines (or sites) effectively aggregate travel and accommodation inventory to provide a comprehensive one-stop comparison service for travel and accommodation supply, where information from airlines, car rentals, hotels etc., can easily be searched and prices compared. They have become an important point of reference and source for referrals (lead generation) directly for the travel and accommodation service provider and online intermediation platforms. They are part of the distribution mix that provide leads directly to a travel and accommodation provider's website, thereby disintermediating online intermediation platforms but are mostly used by online intermediation platforms as a marketing channel to

[103] Distribution through OTAs grew by 7.1% while distribution through traditional travel agents and tour operators shrunk by 1.5% and 1% respectively between 2016 and 2019. Ernst & Young Parthenon Report. 2021. Online Travel Agencies. Page 8. Available online: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/strategy/pdf/ey-online-travel-agents-helping-european-small-independent-accommodations.pdf?download [accessed May 2022].

[104] [redacted]

[105] [redacted]

[106] [redacted]

[107] These are figures compiled by Grant Thornton on behalf of the Association of Southern African Travel Agents ("ASATA") which represents traditional travel agents. (Grant Thornton. 2018. The South African Travel Sector in 2017. p.8 Available at: http://www.asata.co.za/wp-content/uploads/2018/06/ASATA-Full-Report-The-South-African-Travel-Sector-in-2017.pdf. Accessed on 18 February 2022).

[108] Ibid.

[109] For example, Ernst & Young Parthenon Report. 2021. Online Travel Agencies. Available online: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/strategy/pdf/ey-online-travel-agents-helping-european-small-independent-accommodations.pdf?download [accessed May 2022]. "*consumers are increasingly using the internet not only to find an accommodation, but also to book that accommodation.*"

generate leads. They are seen both as a competitor and strategic partner to intermediation platforms.

39. Metasearch engines are seen as competitors for traffic and relevance at the search and price comparison stage of the consumer journey but must refer leads on to generate revenue.[110] Therefore they compete with online intermediation platforms along various marketing channels, particularly on paid[111] and organic search[112]. However, it appears that online intermediation platforms see metasearch engines as a strategic marketing channel to acquire leads. This is further evidenced by the fact that OTA's generate by far the largest proportion, typically over [redacted], of metasearch lead revenues[113]. In conclusion, metasearch site can be seen more as a complementary service provider than a competitor.

1.3.4. Direct channels as a constraint on online intermediation platforms

Accommodation

40. The distribution mix of accommodation providers varies according to the need to attract new customers, the size of the establishment, its location, the intensity of competition in a particular catchment area and the degree of consumer loyalty that the establishment enjoys. The Market Inquiry collated information from surveys sent to large accommodation providers including large independent hotels, resorts, hotel chains and timeshare rentals[114]. On average, online intermediation platforms accounted for roughly 40% of sales by these large establishments, where Booking.com accounted for roughly 21% (or 52% of total online intermediary sales). Walk-ins and direct calls accounted for roughly 15% of sales and sales through own website roughly 15%, suggesting that for every unit sale through an establishment's own website, 2.6 units are sold through online intermediation platforms[115]. At a granular level, the distribution mix use case for each accommodation providers varies. For example, ATKV's usage of online

110 [redacted]

111 Note competing on paid search raises an intermediaries marketing spend on Google, thereby increasing Google's revenues. Paid search competition benefits search engines but could result in increased prices to consumers as intermediaries increase price to try recoup their marketing expenses.

112 [redacted]

113 [redacted]

115 Own calculations. The remaining inventory is likely to have been distributed through other means e.g., GDS, travel merchants (e.g., bed banks) and tour operators.

intermediaries is 7.5% because it is a resort that enjoys historical loyalty[116] whereas large independent hotels usage is 30% because they do not belong to a hotel chain[117].

41. In the case of small and medium sized hotels the distribution mix use case sees the adoption of online intermediation platforms relative to own websites. Nightsbridge, a channel management software company providing services to 7500 (predominantly[118]) small accommodation establishments[119], indicated that 87% of transactions were done through online intermediary platforms and 13% though an establishment's own websites in 2020[120]. This suggests that for every sale by the establishment's website, 6.7 sales were made through online intermediation platforms. This dependence on online platforms is articulated in the Ernst & Young's (2021) report on small and independent accommodations, noting that "*most accommodations indicate that the cost effectiveness of OTA bookings cannot easily be matched by other channels. Even though commissions are often seen as high, accommodations indicate they would not to be able to realize an equal number of bookings when redirecting these commission costs to marketing on their own direct channels*"[121].

42. Large independent hotels and hotel chains have invested and are investing into strengthening their own online channels[122]. To do this effectively, however, an establishment needs to invest in a comparable booking process as one would have with OTAs such as Booking.com and have adequate resources for paid media to create a presence, and a digital strategy to drive traffic[123]. This comes down to a property's strength and presence. If the establishment cannot do this, it will be stuck having to deal with online intermediation platforms because they have this presence[124]. Certain locations such as cities have a high degree of competition in particular "catchment areas", which limits large accommodation establishments to direct traffic through direct channels and increases their dependence on online intermediation platforms[125]. This is

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[116] ATKV, OS, p.6
[117] This is the reasoning offered by two independent hotels.
[118] 80% of establishments have 10 rooms or less.
[119] Such as bed-and-breakfast establishments (B&Bs), guest houses, boutique hotels, apartments etc.,
[120] [redacted]
[121] Ernst & Young Parthenon Report. 2021. Online Travel Agencies. Available online: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/strategy/pdf/ey-online-travel-agents-helping-european-small-independent-accommodations.pdf?download [accessed May 2022].
[122] [redacted]
[124] [redacted]
[125] [redacted]

because competition in high catchment areas means that more establishments and platforms are driving up keyword bid costs to have prominent visibility on the first SERP. Given limited results, particularly above the fold[126] of the SERP, it is cheaper for large hotels to market the establishment through online intermediation platforms.

43. Establishments have indicated that the major use case for online intermediation platforms is attaining new clients. Results from the Redflank Survey suggest that the main value-add that online intermediation platforms offer establishments is the number of potential customers they can reach (see Table 9 below) with 60%+ for each category of establishment (small, large, metro, non-metro) indicating that this why they use online intermediation platforms. Survey responses by large accommodation providers[127], suggest that online intermediary platforms access different types of customers. For example, accommodation providers noted that platforms such as Expedia access international travellers[128], platforms such as Lekkeslaap access domestic and Afrikaans speaking travellers, and one establishment stated that it uses Booking.com because it generates business it is not used to having. ATKV noted that its use of OTAs was to attract a new demographic of travellers as to accelerate a more diversified racial profile. ATKV also stated that about 95% of new guests were obtained via OTAs[129]. In addition, the extent to which an establishment uses online intermediation platforms depends on whether the customers targeted are covered by existing platforms. This is particularly the case for large and small metro hotels.

[126] The fold is the point at which a user needs to scroll down to see more results on the SERP.
[127] The Market Inquiry's own questionnaire sent to business users. Respondents wished identities to be confidential.
[128] Many accommodation providers articulated this view. Expedia has also indicated that one of its major value propositions is that it connects international travellers with accommodation providers. (Expedia, OS).
[129] ATKV, OS, p.6-7.

Table 9: Travel and Accommodation Survey Results

Survey Results	Large Hotels		Small Hotels	
	Metro	Non-Metro	Metro	Non-Metro
Factors impacting decision to use platform				
The number of sales the platform helps generate	10%	25%	62%	75%
Extent targeted customers are covered by platform	40%	38%	21%	38%
Number of potential customers the platform reaches	60%	63%	64%	75%
Dependency on platforms				
Moderately dependent	20%	25%	25%	38%
Dependent	30%	38%	25%	38%
Very dependent	30%	25%	25%	15%
% Of sales that could be replaced if online platforms were no longer used				
Less than 21%	88%	72%	88%	75%
21% to 50%	13%	29%	13%	24%
More than 50%	0%	0%	0%	0%
Timeframe of replacement through own services or traditional sales channels				
Not at all	13%	14%	25%	38%
Longer than 6 months	50%	43%	38%	19%

Source: Commission's own compilation of Redflank Survey results, 2021.

44. Most large and small hotels are dependent on online intermediation platforms regardless of whether they are in metro or non-metro areas. This was the finding in the Redflank Survey, where 50% or more of the respondents indicated that they were dependent or very dependent on online intermediation platforms regardless of their size or location. This number increases to 75% or more when one includes those establishments that are moderately dependent[130]. Similarly, 88% of large and small metro hotels indicated that only 21% or less of sales could be replaced if platforms were no longer used[131]. All the hotels indicated that no more than 50% of sales could be replaced if platforms were no longer used. In terms of replacing those sales, 63% of metro hotels[132] (large and small) indicated it would take longer than 6 months to replace sales were they to stop using platforms, with some indicating that they wouldn't be able to replace sales at all.

45. The evidence suggests that the constraint that direct websites have on online intermediation platform services is limited to certain conditions where the strength of this constraint is likely to be small. Otherwise, direct websites do not constrain these platforms. Firstly, the share of users that searched for accommodation on an online intermediary platform and the establishments own website on the same day is small. For example, the Market Inquiry calculated that only

[130] Other categories were slightly dependent and not dependent.
[131] This figure was 72% for large non-metro hotels and 75% for small non-metro hotels.
[132] This figure was 57% for large and small non-metro hotels.

10.9% of visitors on Booking.com also visited the websites of accommodation providers on the same day[133]. Given the small extent of cross-browsing, it is unlikely that hotel's own websites pose a significant constraint on accommodation intermediation platforms simply because they aren't going to accommodation provider's own websites[134]. Furthermore, visitors to Booking.com had a lower average and median bounce rate[135], and spent more time on and visited more pages on the platform than any of the accommodation providers assessed, suggesting more consumer engagement on the Booking.com platform relative to accommodation provider websites.

46. It also shows a weak case for alleged free riding as only a small portion of visitors that search on online intermediation platforms visit an accommodation providers own website on the same day. Secondly, visitors to online intermediation platforms, particularly Booking.com and Airbnb, show brand loyalty. For example, 31.9% and 33.5% of Booking.com and Airbnb.co.za site audience visited these respective websites exclusively (i.e., "full loyalty"[136]) in the "accommodation and hotel" industry during the 2021 calendar year (i.e., see figure 3). This is relevant because it suggests that approximately one-third of the large online intermediation platforms' traffic are not contestable.

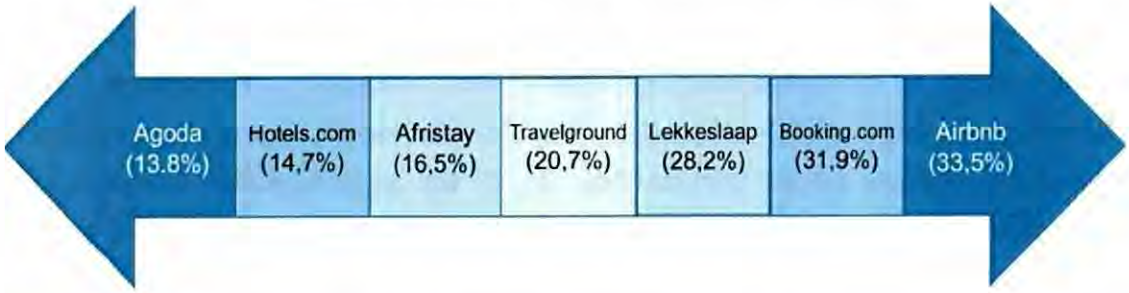
[133] This is done using Similarweb's "Audience Interests" feature that tracks the proportion of visitors to website B on the same day as a visit to Website A. The Market Inquiry assessed this by comparing visits to Booking.com and 30 accommodation websites over a 12-month period. These accommodation websites include large hotel chains such as Tsogo Sun, Marriott Hotels, and Sun International; [redacted] large apartment rentals, and resorts. The feature currently only allows this analysis for desktop traffic.

[134] While low levels of cross-browsing likely suggests that own websites are not constraints, the converse is not necessarily true. Where there are high levels of cross-browsing across the platform and business user websites, one cannot make meaningful inferences about consumer behaviour beyond simply searching around (or cross-browsing) i.e., we cannot meaningfully infer that own websites are constraints on platform websites. Low bounce rates, and the more time spent, and number of pages visited on a website can be informative of consumer engagement but is not necessarily conclusive.

[135] The bounce rate means the percentage of visitors that only viewed one page on the website before leaving.

[136] Similarweb has a feature in its Market Analysis segment which delineates "Audience Loyalty" for a given industry. Audience Loyalty delineates a scale that captures the number of sites a visitor searches in an industry following a search on a particular website e.g., Booking.com. Full loyalty indicates the proportion of users that only visited one site in the industry during a defined period.

Figure 3: "Full loyalty" spectrum across online intermediation platforms during 2021



Source: Commission's own compilation using Similarweb's "audience loyalty" function

47. In conclusion, while the use case might vary across different accommodation providers, online intermediation platforms remain unavoidable partners for the distribution of accommodation. This is evidenced by the demonstrable dependency that accommodation providers have on online intermediation platforms and their ability to attract new and a unique set of travellers. The use case for online intermediation platforms is particularly strong for smaller establishments and in regions or catchment areas where there is intense rivalry between accommodation providers, regardless of size. Lastly, the evidence suggests that the extent to which own websites can constrain online intermediation platforms is small given that a small proportion of visitors search on an accommodation provider's own website and an online intermediation platform on the same day, and that online intermediation platforms have a significant number of visitors that are fully loyal and thus are not contestable.

Flights

48. Online intermediation platforms constitute a relatively small portion of the overall distribution mix of flights with approximately 18% of flights distributed via this channel[137]. Own websites constitute the largest proportion of distribution, particularly for low-cost domestic airlines. This accounts for approximately 54% of flights[138]. Global Distribution Systems ("GDS") and travel aggregators making use of Direct Connection Capabilities ("DCC") technologies, walk-ins, call centre sales and loyal points accounted for the rest. The distribution mix varies across airlines, but this largely depends on whether flights are low-cost domestic or international. Airlines flying internationally are dependent on GDS for distribution as they have interline agreements that

[137] Own calculations based on submissions across three airlines.
[138] Own calculations based on submissions across three airlines.

connect domestic with international airline[139], are suitable for complex itineraries[140], and have extensive content built over decades. As such a higher concentration of flights are typically distributed via GDS for international flights[141]. Distribution through loyalty programs such as eBucks and Discovery Vitality also play a significant portion in the distribution of flights, particularly domestic flights[142].

49. [redacted] The Market Inquiry found after assessing 32 websites, that users who searched for flights on the Travelstart website collectively cross-browsed 90.5% of airline's own websites on the same day[144] [145]. However, that does not inform us of the reasons for visiting the airline sites (e.g., price check or inventory checks) and how many other websites each user visited. Having said this, median and average bounce rates, longer visits and more pages visited on an airlines own website relative to Travelstart suggests more consumer engagement in airlines' own websites. Considering the relatively homogenous nature of flights, compared to accommodation, and the limited number of airline websites for a given flight itinerary, users can easily search for a flight on the online platform and then find the same flight on the airline's website. Collectively considering the above-mentioned observations and the fact that a large proportion of flights are distributed through own websites, an airlines own website is likely to present some constraints on online flight intermediation platforms.

50. Prominence of an airlines direct channels also seems to be the case elsewhere, more so for low-cost carriers but in growing importance for traditional carriers as well. In 2016, traditional carriers in Europe which accounted for over 80% of air revenue, were found to rely significantly on offline distribution channels[146] compared to the low-cost carriers that received nearly all of it

139 [redacted]
140 [redacted]
141 [redacted]
142 [redacted]
143 [redacted]

144 One user can search several websites following a search on Travelstart and each website cross-browsed would have been collectively added to the 90.5% figure. As such the number of unique users searching both Travelstart and an airlines own website is probably less than 90.5%. (Figures calculated using Similarweb's "Audience Interests" feature, using desktop data over a 12-month period.)

145 62.7% related to domestic airlines and 27.7% international airlines.

146 Online penetration was approximately 39% in 2016.

is bookings online.[147] Direct online bookings accounted for 27% of the traditional carriers' gross bookings, compared to 12% from OTAs. In terms of low-cost carriers, approximately 88% of the transactions were online and 84% were from the direct online channel, with OTAs accounting for 4%. Forecasts from 2017 to 2020 suggested growth in the proportion of online bookings for both traditional airlines and low-cost carriers but this was driven by direct channels where the volume of bookings via OTAs were projected to remain relatively stable[148].

Car rentals

51. The distribution mix for car rentals is multifaceted and should typically constitute a well-balanced ecosystem according to car rental operators[149]. The demand for car rental services can be delineated through various consumer segments including international travellers, private companies, the public sector, individual customers, and commercial customers[150]. Car rentals are distributed through a variety of channels including online intermediation platforms, airlines, own-websites, walk-ins, tour operators, call centres etc. Airlines are also seen to be *de facto* online intermediaries, distributing flights as well as car rentals[151]. The use case for online intermediation platforms is predominantly to target individual and international travellers[152], with distribution through these platforms accounting for a relatively small proportion of overall distribution[153]. Furthermore, the use case of online intermediation platforms is also location dependent, more specifically their use is limited to airports[154]. Therefore, the distribution of car rentals through online intermediation platforms is seen to be niche with car rental operators indicating that they are slightly dependent on these platforms[155].

52. The evidence confirms that online intermediary platforms are mostly used by international travellers and at airports. [redacted]

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[147] Phocuswright. 2016. European Online Travel Overview Twelfth Edition. Figure 9. Available online: https://www.thinkdigital.travel/wp-content/uploads/2017/01/European-Online-Travel-Overview-Twelfth-Edition.pdf(Accessed on 24 May 2022).
[148] Ibid. p.20-23.
[149] Avis, OS and [redacted]
[150] Avis' presentation, p. 18 (Avis, OS); [redacted]
[151] Avis, OS, p.16. Avis notes that [redacted] is its second largest online intermediation platform that it distributes through.
[152] Avis' presentation, p.8. (Avis, OS).
[153] Avis indicated that approximately 10% of its distribution goes through online intermediation platforms (Avis, OS, p.11). [redacted]. Car rental operators indicate that GDS still weighs quite heavy in the distribution of car rentals.
[154] Pace Car rental in SAVRALA, OS, p.19; [redacted]
[155] [redacted]

[redacted] Airline websites, while operating like online intermediation platforms, distribute a small proportion of overall car rentals and currently do not provide significant competitive constraint on online intermediation platforms such as Rentalcars[158]. The Market Inquiry found that of the users visiting the Rentalcars website, on average, these users also visited two other car rental operator's own websites on the same day[159] [160]. However, the Rentalcars website experienced lower average and median bounce rates, longer visit times and more pages visited than most car rental operator websites. This suggests higher customer engagement when users did in fact visit the Rentalcars website considering that it only accounted for a relatively small proportion of online car rental traffic generated by the car rental operators in intermediated for[161]. In conclusion, it appears that users search for car rentals on the Rentalcars platform in conjunction with car rental operator websites[162]. However, this cross-browsing behaviour across websites does not necessarily mean that own websites constrain the platform.

53. As mentioned, online car rental intermediation accounts for a relatively small proportion of overall earnings by car rental operators. However, the situation may change in future, such as in Germany, where most consumers book their car rentals using online distribution channels. Online distribution channels in 2021 accounted for 66% of the total revenue whereas the offline traditional distribution channels accounted for 34% of the total revenue[163]. This suggests that consumers are increasingly adopting the use of online distribution channels where it was also forecasted that by 2026 online distribution channels will account for approximately 80% of total

156 [redacted]

Own calculations

157 [redacted]

158 [redacted]

159 Again, like with airlines and accommodation, we do not know the reasons for this cross-browsing behaviour.

160 Own calculations using Similarweb data using the "Audience Interests" function. Cross-browsing behavior was examined for Rentalcars across 16 car rental operators' own websites over a 12-month period.

161 Rentalcars accounted for approximately 18% of the collective traffic to those car rental operators that rent their cars through the platform. (Own calculation using Similarweb traffic data between 2019 and 2021 comparing Rentalcars traffic to 14 car rental operators using their platform).

162 Although Rentalcars enjoyed a fair amount of loyalty, car rental operators such as Avis and Firstcarrental enjoyed more. (Similarweb's "audience loyalty" function for car rentals during 2021).

163 Statista. (2022). Available at: https://www.statista.com/outlook/mmo/shared-mobility/shared-rides/car-rentals/germany. (Accessed on 25 May 2022)

revenue generated through car rental bookings[164]. Similarly, across Europe, online penetration was roughly 41% in 2016, with OTA's accounting for 16% of gross bookings, and the ratio of online penetration was forecasted to grow between 2017 and 2020, driven both by direct channels and OTAs[165]. Therefore, online intermediaries are likely to continue to grow in importance as a distribution channel where offline distribution channels are likely to be a diminishing constraint going forward.

Buses

54. Users of bus transport typically fall within lower LSM groups considering that higher LSM users would tend to either have their own transport or book a flight. Bus transport is generally informal, cash reliant[166] and slow to change[167]. Flightsite estimates that approximately 60% of distribution is done through retail and 40% directly, but approximately 90% of this is done offline[168]. Bus survey submissions[169] affirm this with approximately 43% of bus tickets are distributed directly (7% own website and 36% walk-ins), and the remaining 57% through third party distributors. Computicket features strongly in this market with all survey participants indicating that they are highly dependent on Computicket to distribute their inventory. On average, Computicket was responsible for 48% of overall bus tickets distributed and 75% if one excludes walk-ins. Having said this, only a small proportion of tickets distributed by Computicket, consistent with Flightsite's assertion, was done through its online platform where most bus ticket sales were done at its in-store sites[170]. Flightsite notes that different distribution channels appeal to different types of customers[171].

55. According to Intercape, covid has changed the market and appears to have increased the uptake of online platforms as a form of intermediation[172]. This is evidenced by buses having the

[164] Statista. (2022). Available at: https://www.statista.com/outlook/mmo/shared-mobility/shared-rides/car-rentals/germany. (Accessed on 25 May 2022)
[165] Phocuswright. 2016. European Online Travel Overview Twelfth Edition. Figure 20, Page 26. Available online: https://www.thinkdigital.travel/wp-content/uploads/2017/01/European-Online-Travel-Overview-Twelfth-Edition.pdf (Accessed on 24 May 2022).
[166] [redacted]
[167] Intercape, OS, p.3.
[168] FlightS, OS, p.3-5.
[169] Based on business survey of 5 bus operators.
[170] [redacted]
[171] In the public hearing Flightsite notes that "*somebody who is making a booking in our retail environment is probably different to a consumer who might go online, and book directly with the bus company or walk to the bus depot to make a bus booking last minute.*" (FlightS, OS, p.14).
[172] Intercape, OS, p.4.

largest increase in online site traffic between 2020 and 2021 of all the travel categories[173]. These increases have however started at a low base and lower LSM's still face high barriers to switching (e.g., high data costs, access to credit cards[174], learning to trust online payment systems[175]) and prefer the physical aspect of brick-and-mortar outlets. Having said this, Busbud, a Canadian-based online intermediation platform has entered the online bus distribution market and is building share of the online market rapidly. Busbud also appears to target a different market to traditional retail outlets including international travellers[176]. Users that searched on Busbud collectively cross-browsed 59% of bus operator own websites on the same day[177]. However, the Busbud website had a lower average and median bounce rate, higher visit duration and more pages visited than bus operators, suggesting higher levels of customer engagement. Correspondingly, Busbud has significantly grown its share of online bookings. In conclusion, traditional retail in-store and walk-in purchases still represent most bus ticket sales, where online distribution of bus tickets still needs to mature. For those bus tickets purchased online, the relatively homogenous nature of a bus trip means that users can cross-browse bus operator's own websites and the intermediation platform. This appears to occur to a limited extent with relatively more engagement with the platform, and suggests that the bus operator's own website, if it has one, currently does not offer significant constraints.

56. This may change in future. In Europe the data shows that consumers mostly rely on online distribution channels and this share of online bookings has been growing as is forecasted to continue to grow[178]. The bus market is an attractive mobility alternative and competition is likely to increase through the entry of several low-cost bus operators where in 2022, the bus market is projected to reach R85.5bn in revenue[179].

Activities

[173] Online bus ticket sales also increased for Computicket from [redacted]
[174] FlightS, OS, p. 10-11.
[175] Intercape, OS, p.4-5.
[176] [redacted]
[177] Own calculations using Similarweb's "Audience Interests" function. Cross-browsing behavior was examined for Busbud across 8 bus operators' own websites over a 12-month period.
[178] In 2021, online distribution channels have accounted for 61% of the total bus market revenue whereas the traditional sales channels have only accounted for 39%. The use of online distribution channels has been increasing annually with a year-on-year and it is expected that by 2026 the online sales channel would account for at least 67% of total bus revenue.
[179] Statista. (2022). Available at: https://www.statista.com/outlook/mmo/shared-mobility/shared-vehicles/buses/europe. (Accessed on 26 May 2022). Value converted to Rands using the Dollar/Rand exchange rate on 8 June 2022 (R15.40/$).

57. As established, the online distribution of activities through online intermediation platforms is still at its infancy and most activities are still distributed offline[180]. Furthermore, most activities are spread out[181], attract low volumes and sell various types of activity packages. The provision of activity services can be considered heterogenous. Another feature of the market is that activities are often weather dependent making it difficult to attract volumes[182]. As one moves into the provision of larger activities (e.g., concerts, theatre) etc. then one moves into the "ticketing" space[183]. A major difference between "ticketing" and "activities" is that activities typically involve low volume transactions and appeal to tourists as tourist attractions, cultural tours, etc. When one considers customer segmentation, activities platforms are predominantly used by foreign tourists. Pre-covid, over 80% of bookings made on online activity intermediation platforms were made by foreign tourists[184]. In conclusion, online activity intermediation platforms are still new, mainly booked offline and are typically used by international travellers. Going forward, however, as more activities are booked online, it is unlikely that tour operator's own websites are likely to pose as a constraint.

180 [redacted]
181
182
183
184

2. Market structure and competitive dynamics

2.1. The types of travellers and how they use platforms

2.1.1. Global platforms and where travellers come from

58. Each of the global travel platforms that bring tourists into South Africa appear to have a relatively strong representation in different parts of the world. For example, Expedia is known to have strong representation in North America[185], Ctrip (i.e., part of Trip.com) has strong representation in China[186], Agoda in the Asia-Pacific region[187], and [redacted] The Market Inquiry considered recent platform traffic data of large global platforms such as Airbnb, Agoda, Expedia, Ctrip and Booking.com using Similarweb data[189] to establish their global footprint. Airbnb, Expedia and Ctrip's consumer traffic is highly concentrated in certain regions with over 77% and 90% of Airbnb.com and Expedia.com's respective traffic coming from the United States, ctrip.com on other end received over 80% of its traffic from China. Agoda.com's traffic was less concentrated by country, as its traffic mainly came from the Asian region, with Asian countries collectively accounting for 58% of the traffic share and the United States only accounting for 7%.[190] Booking.com has a much more widely distributed traffic share than the rest, receiving traffic from across 162 different countries in the period with the United States accounting for the largest portion of 10.39%. In terms of regions, over 58.7% of Booking.com's traffic came from European countries, with EMEA countries collectively accounting for 64.9% of the traffic share.

[185] Expedia notes that American travellers is its main market (Expedia, OS, p.45).
[186] For example, Trip.com notes that its "*business and operations are primarily based in China and most of our revenues are derived from our operations in China.*" Trip.com Group Limited SEC 20-F filing for the year ended 31 December 2021, p.7.
[187] "*Agoda is a leading online accommodation reservation service catering primarily to consumers in the Asia-Pacific region.*" Booking Holdings SEC 10-K filing for the year ended 31 December 2020, p.4.
[188] [redacted]
[189] Similarweb data for the period between December 2021 and February 2022.
[190] India, Malaysia and Thailand each had over 9% of the total traffic share.

Figure 4: Booking.com traffic share by country, December 2021- February 2022.



Source: Commission's own compilation of Similarweb data. Darker shades indicate a higher proportion of Booking.com traffic share

2.1.2. Type of traveller

59. Though online platforms share many similarities they do however have their differences such as the traveller type that they serve, where some travellers may be in search for specific types of accommodation, and others may not be as specific. Booking.com, for example, offers a wide variety of accommodation options including hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels and other properties.[191] [192] This means that OTAs that offer such an array of establishments can attract all types of travellers including backpackers, leisure, adventure and business travellers, etc.[193]. Platforms such as Airbnb, Afristay and Tripco largely serve the alternative accommodation market, though Airbnb goes as far as serving the market where private homeowners can list any unoccupied space that is available for booking, a market that is not served by Afristay or Tripco. There are also niche markets such as the hostel market, that serves backpackers, a low transactional value market that is served by dedicated hostel platforms such as Hostelworld. There is also Homestay, a platform with relatively small presence in South Africa, that targets a different customer base including students, interns, work placements, where guests are booking for longer term stays[194].

[191] Booking Holdings SEC 10-K filing for the year ended 31 December 2020, p.3.
[192] For example, platforms such as Booking.com, Agoda, Afristay, Airbnb and Tripco all present various types of accommodation (e.g., hotels, private accommodation) to travellers for a given search in the search results page. (Own observation)
[193] [redacted]
[194] For example, 3 months to 12 months at a time, and shorter stays are a small portion of Homestay's customers. Homestay, VM1.

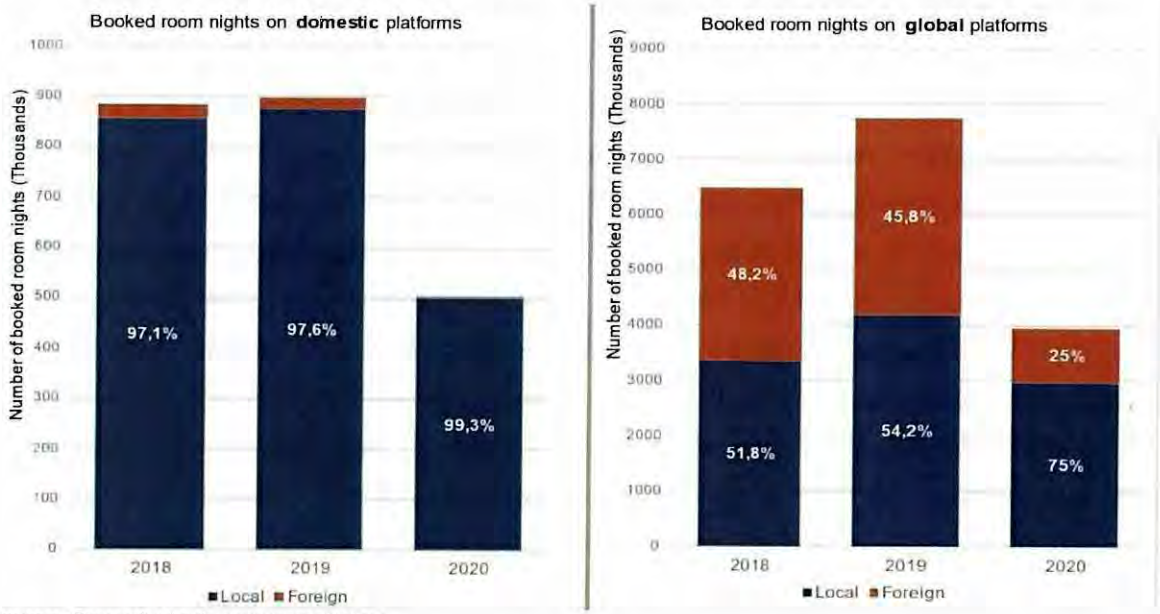
2.1.3. Foreign vs domestic travellers & usage

60. The South African domestic tourism market was experiencing large scale increases compared to inbound tourism, prior the outbreak of the pandemic. According to Statistics South Africa, the domestic tourism expenditure grew from R193bn in 2018 to R330bn in 2019, representing a large jump of 71%, on the other end the inbound tourism expenditure grew from R120bn in 2018 to R121.5bn in 2019, representing a 1.2% increase.[195] The high growth of domestic tourism is also reflected on accommodation bookings on online platforms. A review of the domestic booking room nights "BRN"[196] on online accommodation platforms in 2019 indicates that approximately 59% of bookings came from local (or domestic) travellers and 41% from foreign travellers.[197] The total number of room nights booked on accommodation platforms by local travellers increased by 20.2% from 2018 to 2019, while this increase was 13.6% for foreign travellers over the same period. Since the pandemic, travel overall declined with booked room nights by foreign travellers declining most drastically by 72.2% in 2020, with local traveller bookings declining by 31.6% in that year.[198]

61. Domestic platforms attract very little foreign travellers, compared to global platforms that attract foreign travellers in large numbers.[199] The figure below depicts the share of accommodation bookings between domestic travellers and foreign travellers on global platforms and on domestic platforms. Pre-pandemic over 97% of travellers that booked on domestic platforms were local travellers, and this increased to over 99% during the pandemic. On global platforms, between 45% and 48% of bookings in South Africa pre-pandemic were made by foreign travellers on global platforms and this number decreased to 25% during the pandemic[200].

[195] Own calculations using data from Statistics South Africa (2021), p. 1. Tourism Satellite Account for South Africa. Available at http://www.statssa.gov.za/publications/Report-04-05-07/Report-04-05-072019.pdf (Accessed on 17 February 2022).
[196] A booked room night equates to the total number of accommodation nights a traveller booked in a period of time.
[197] Based on own calculations from submissions across 10 platforms.
[198] Own calculations using booked room night data submitted across 10 platforms.
[199] Reasons are discussed in Section 2.6. of the Report.
[200] [redacted]

Figure 5: Proportion of booked room nights in South Africa by local and foreign travellers on domestic and global platforms, 2018 to 2020

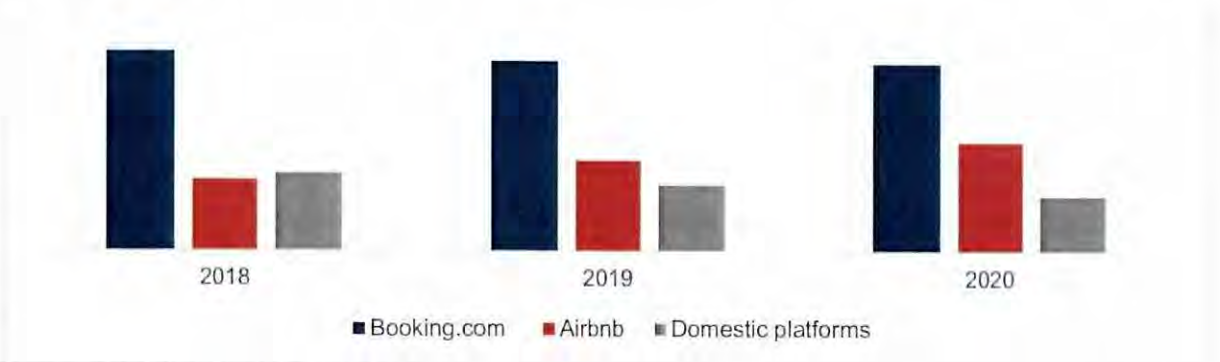


Source: Commission's own compilation

62. Booking.com and Airbnb, are the two most popular online platforms for booking accommodation in South Africa. The figure below illustrates the share of bookings by local travellers on Airbnb, Booking.com and on domestic platforms collectively. The share of the total local travellers making bookings on Airbnb and Booking.com increased from a collective [70 – 75%] in 2018 to [75-80%] in 2020. While Booking.com's share accounted for roughly half of domestic travellers[201], Airbnb's growth in local traveller bookings has increased steadily, growing by over 50% over this period[202]. This coincided with a decrease in local traveller bookings from 20% to 15% over the same period[203]. From these changes in shares over time, it appears that Booking.com is maintaining a high and stable share of local traveller bookings while Airbnb, the fastest growing platform, is displacing bookings made by local travellers on domestic platforms.

[201] In fact, it declined slightly from 52% in 2018 to 49% in 2020.
[202] It grew from a share of [redacted] in 2018 to [redacted] in 2020.
[203] This parallels with domestic platform online accommodation revenues decreasing by 9.3% from 10.8% in 2018 to 9.8% in 2020 of overall platform revenues (discussed in Table 3, Section 1.2 of the Report).

Figure 6: Share of local traveller bookings, Airbnb, Booking.com vs domestic platforms, 2018 to 2020.



Source: Commission's own compilation

2.2. How online travel and accommodation platforms compete

2.2.1. Network Effects

63. Travel and accommodation platforms are multisided platforms that bring together two different but interdependent groups (i.e., travellers and travel service providers) under one platform. They share two defining features; firstly, they have distinct groups that interact with each other across the platform, and secondly, they are characterised by cross-platform externalities or network effects among these distinct groups.[204] Network effects can be direct as an increase in the number of travel service providers listed on the platform, makes the online platform more valuable to travellers as they have more options and price offerings. Similarly, the more travellers the platform has, the more valuable the platform is to travel and accommodation service providers. Network effects can also be indirect, for example an online travel platform can introduce consumer terms and conditions that make the platform more attractive for travel services providers to list their services on the platform. Large networks effects may result in a winner-takes-all dynamic in a market, which can subsequently result in an emergence of only

[204] Shelanski, H., Knox, S. and Dhilla, A., 2017. Network effects and efficiencies in multi-sided markets: *Hearing on the use of traditional antitrust enforcement tools in multi-sided markets*. Available online: https://one.oecd.org/document/DAF/COMP/WD(2017)40/FINAL/en/pdf (Accessed on 10 March 2022).

a few large players[205]. Large network effects may also entrench the position of players that enter the market first and as such, they would enjoy the first mover advantage[206].

64. Prior to the entry of global platforms, there were domestic platforms such as SafariNow and SA-Venues[207] that had been in operation and performing seemingly well[208]. However, there was an evolution over the years of the online travel market in South Africa, with increases in internet access and smartphone penetration[209], and the entry of global platforms combined with changes in Google Search as a key marketing channel. This disrupted the domestic market[210], for example, SafariNow used to be good at using search engine optimisation to drive organic web traffic[211] but notes that as Google became aggressive in monetising its search results, it found that its organic search results were being pushed down the SERP[212]. Where a platform did not have a big marketing budget, it was very difficult to get coverage on Google Search as having a big enough budget is seen as the easiest way to acquire customers[213]. As such Booking.com appears to have taken advantage of the fact[214] that it is (i) a global platform with the value proposition of bringing in international travellers[215], (ii) which coincided with smartphone penetration[216], (iii) had experience from a more mature online accommodation intermediation markets abroad (i.e., particularly in countries that were more advanced in the adoption of internet), (iv) has a relatively large marketing budget[217] and (v) [redacted]

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[205] Costa, H., Nicoletti, G., Pisu, M. and von Rueden, C., 2021. Are online platforms killing the offline star? Platform diffusion and the productivity of traditional firms.

[206] First-mover advantage' is defined as the benefit (i.e., economic profit) enjoyed by a firm as the consequence of its early entry into a new market. [Lieberman, M.1988. First-mover advantage. *The Palgrave Encyclopaedia of Strategic Management.* pp.559-58.]

[207] SafariNow and SA-Venues started in 1999. (SafariNow, OS); (SA Venues, OS)

[208] SA Venues, OS, p.2; SafariNow, OS, p.2.

[209] Discussed under section 1.2. of the Report

[210] For example, SA-Venues had to change its business model in 2015 as a result. (SA Venues, OS. p.2; [redacted]

[211] SafariNow, OS, p. 2.

[212] SafariNow, OS, p. 3.

[213] SafariNow, OS, p. 4.

[214] This includes other facets of online travel intermediation such as Booking Holdings' Rentalcars platform. [redacted]

[215] [redacted]

[216] For example, there was a 73% increase in smartphone penetration in South Africa between 2016 and 2017. Own calculations. (ICASA (2021). The state of the ICT Sector Report in South Africa: 2021, p.33. *Independent Communications Authority of South Africa*. Available at: https://www.icasa.org.za/uploads/files/State-of-the-ICT-Sector-Report-March-2021.pdf (Accessed on 17 February 2022).

[217] Booking.com can easy leverage from its massive global marketing budget and aggressively market, especially through paid search, in South Africa. For example, its parent company, Booking Holdings, spent [redacted] on marketing expenses in 2021 (Booking Holdings SEC 10-K filing for the year ended 31 December 2021). Booking.com spent [redacted] on Google text ads alone [redacted]

[redacted] making it the de facto first mover in a matured online accommodation intermediation market. Furthermore, it scaled in South Africa with the number of clicks increasing by almost 500% between 2014 and 2019, and total pay-per-click ("PPC") spend[219] which increased by almost 400% over the same period.[220]

65. Booking.com commission revenues grew thirty-fold [redacted] in the period between 2010 and 2019[221], (i.e., in terms of commissions earned in South Africa) and has accounted for over 50% of online accommodation intermediation[222] since (at least) 2018. It also has a direct connection with a diverse set of establishments, with over [redacted] active accommodation providers in South Africa.[223] Booking.com has developed a large network that is likely to be entrenched because it can outbid its competition in paid search[224], buy up metasearch leads[225], attract higher average commissions[226] and accommodation funded discounts (that competing platforms may not be able to reasonably replicate[227]), and has a significant number of loyal users[228]. Airbnb, the second largest online accommodation platform, has been the fastest growing platform since 2018, however, it seems to only have taken market share from other platforms as Booking.com's share has remained relatively stable over this period.

2.2.2. Consumer and business multi-homing

66. Engagements with market participants suggest that both consumers and business users' multi-home to some extent for the provision of online intermediation travel and accommodation services. Some of the online platforms are of the view that customers shop around[229] for all

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218 [redacted]

219 Pay-per-click is how Google monetizes its paid search / text Ads.

220 [redacted]

221 It grew by [redacted] between 2014 and 2019.

222 See Table 3, Section 1.2. of the Report

223 [redacted]

224 For example, Booking.com spent more on Google Ads in 2019 than any other accommodation platform earned in total commission revenues that year (except [redacted]

225 For example, Booking.com accounted for [redacted] of Trivago's South Africa earnings in 2019 and 2020 respectively (Own calculations using data submitted in Trivago, [redacted]

226 See section 2.3. of the Report

227 See section 3.3 of the Report

228 For example, 32% of users used Booking.com's desktop webpage exclusively in 2021 (See Figure 3 of section 1.3 of the Report).

229 [redacted]

categories of travel and accommodation, with some suggesting that they enquire with at least approximately three platforms before they decide to make a booking[230]. Furthermore, they note that, consumers that multi-home can shop-around for competitive prices on multiple platforms and are likely to be more informed on service and prices[231]; consumers are presented with multiple options on the SERP following a search and face zero switching costs meaning that they can easily switch between different platforms[232]. However, it has been noted that given the various options that consumers have, it becomes difficult to track customer loyalty[233].

67. The Market Inquiry finds that a significant number of consumers (users) are likely to single home. Using Similarweb's industry "audience loyalty" feature, it was found that a relatively large proportion of users are particularly loyal to brands such as Booking.com, Airbnb and Lekkeslaap with at least 30% of users visiting only one site in 2021 (effectively single homing[234]). As one moves down the spectrum, one finds that a smaller number of users searched one website, and this is the case with metasearch sites such as Trivago and Luxuryhotelsguides that invariably provide leads to other websites in any case. Roughly half of customers visited 3 sites or more (for the 2021 calendar year) in relation to the 3 largest OTAs (i.e., see Figure 7 below). However, this only shows that these users only visited other sites but not the extent of engagement with those sites, and the purpose of the engagement (e.g., from simple checks to see if they had anything different or price comparison on the selected property). This is evidenced by the high bounce rates elicited by the respective accommodation platforms which ranged from between 14% to 62% for accommodation platforms. Furthermore, considering that Google Search is an important part of the consumer journey (discussed later), multi-visits might just be indicative of consumers scouting relevant website links on the SERP or making their mind up on which platform to use in the future[235]. The relatively high level of loyalty indicates that many consumers have or will eventually have preferred platform. The evidence also dispels preconceived notions of rampant multi-homing by users occurring on travel accommodation platforms.

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230 [redacted]

231 TS, RSOI.

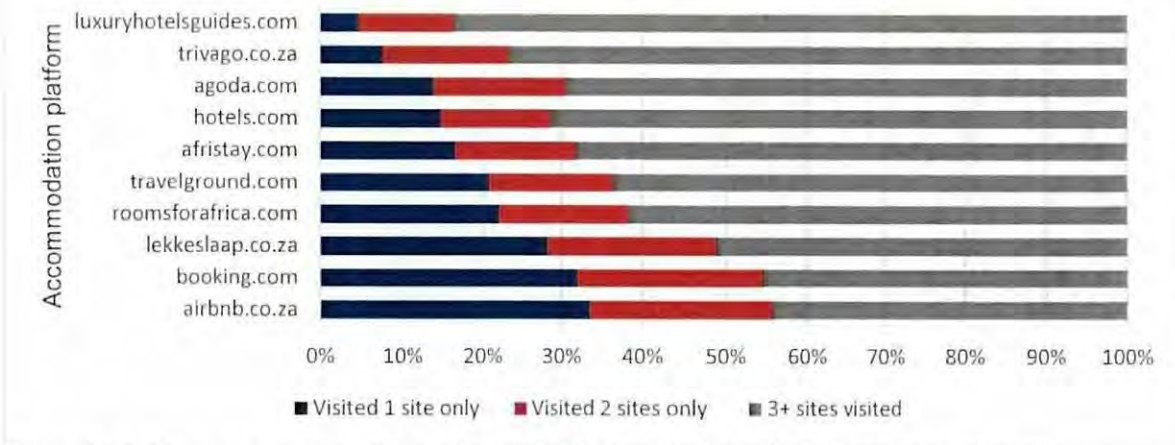
232 Airbnb, SOI.

233 [redacted]

234 The incidence of single homing is likely to be higher as we do not know whether those consumers that visited more than one sites are multi-homing per se. For example, across the accommodation providers listed in Figure 7, bounce rates ranged from 14% to 62% suggesting a significant number of websites visited did not generate meaningful user engagement.

235 This is particularly the case for travel and accommodation which typically has a low frequency of transactions (i.e., once or twice a year).

Figure 7: Number of accommodation platform sites visited by users in 2021



Source: Market Inquiry's own compilation using 2021 data from Similarweb's Audience Loyalty feature

68. Accommodation providers can load their establishments on multiple platforms with relative ease and low cost. They do this by using channel management software that is available from various suppliers such as Nightsbridge and Siteminder. For example, Nightsbridge software typically connects small and medium sized accommodation providers to multiple platforms including OTAs, metasearch sites and own websites[236] at a flat cost-effective monthly fee[237]. Channel management software updates room inventory, availability and prices in real time across different distribution channels which avoids a misallocation of inventory and double-booking[238]. However, being able to load establishments onto various platforms does not mean that consumers will book their establishments on every platform. As discussed later, what matters is how accommodation providers price across platforms, where they choose to promote and how much effort they put into developing their visibility and presence on different platforms. Channel management software makes it easy to list only, the rest[239] matters for platform development.

69. However, in other forms of travel connecting business users to various platforms is more expensive and requires higher degrees of technical expertise. For example, software for integrating airlines to online platforms requires technical know-how and is expensive[240]. This is

236 [redacted]

237 Available at: https://site.nightsbridge.com/pricing/. (Accessed on 09 March 2022)

238 [redacted]

239 Such as discounting and visibility on the platform, discoverability of the platform, etc.

240 [redacted]

because the APIs of airlines vary, and platforms need sufficient technical expertise to integrate. This combined with low margins and other red tape associated with the airline industry can limit entry or expansion of intermediation platforms[241]. Car rental operators use software such as TSD, Rental Car Manager and Bluebird to connect with online platforms. These software suppliers are prohibitively expensive, where car rental operators pay a high fixed fee and fee per transaction, and they are not user friendly[242]. The high software prices, as well as limited access to airports creates barriers to entry and limits SME car rental operators from connecting to online platforms such as Rentalcars[243] and so the larger car rental companies tend to dominate these platforms.

2.2.3. Basis for competition

Consumer side

70. Based on the balance of evidence that the Market Inquiry has attained, arguably the most important feature across accommodation and travel platforms that impacts competition for consumers is generating sufficient visibility to attract consumer traffic, particularly new customers[244]. For most customers, they start their research, discovery and booking phase of their journey on Google[245]. Therefore, it is important to drive customer traffic through organic search results "SEO", paid search and generate leads using metasearch sites[246]. Furthermore, retaining customer loyalty is very important as a platform does not incur the costs of attracting new customers[247]. One way of doing this is to drive consumers booking on apps. [redacted] Competitive pricing means attracting customers on price or through promotions, discounts, and benefits[249]. Platforms compete for consumers by offering them a seamless booking experience by investing in the technological development of platform websites and apps as well as offering a connected

[241] [redacted]
[242] [redacted]
[243] Pace Car in SAVRALA, OS.
[244] See Section 2.2.4 and 2.3.1 of the Report.
[245] See Section 2.2.4 of the Report.
[246] See Section 2.2.4 of the Report.
[247] See Section 2.2.4 of the Report.
[248] [redacted]
[249] See Section 2.2.4 and 2.3.5 of the Report.

trip (i.e., a one-stop-shop) where consumers can purchase all their travel needs off one platform[250]. Lastly, having a broad range of establishments from which customers can choose is an attractive source of consumer demand[251] and this includes global coverage should consumers wish to travel abroad.

Business user's side

71. The decision of whether to list on a platform or not is likely to be influenced by the business users' distribution strategy, digital strategy as well as the value proposition of the platform. In the accommodation space, accommodation providers typically list free of charge, are attracted to a seamless listing process and face the relatively low cost of channel management software which allow them to list with multiple platforms[252]. The ability to seamlessly list on multiple platforms alone does not mean that accommodation providers list on all platforms or invest equally as much into all the platforms they are listed on. The Redflank Survey found that the three most important factors influencing the decision of a hotel to list with a platform include: (i) the extent to which the company's target customers are covered by existing online platforms, (ii) the number of sales that a platform helps generate and (iii) importantly the number of potential customers the platform reaches[253].

72. Ultimately customer reach appears to be the most important factor that business users look for. As such platforms invest to make their platforms more visible or discoverable to potential consumers, and typically do this by developing a brand and attracting consumer traffic through significant amounts of marketing. Often the [254] global platforms are resourced enough to acquire a lot of consumer traffic and leverage their global brands to present business users with both domestic and international travellers[255], where domestic platforms have limited ability to do the latter. Large "branded" business users (i.e., global hotel chains, global car rental operators and

[250] Booking Holdings 10-K SEC filing for the year ended 31 December 2020.
[251] Booking Holdings 10-K SEC filing for the year ended 31 December 2020
[252] In flight and car rental intermediation, listing business users is more difficult as it involves technical integrations and uploading complex service itineraries. Furthermore, especially in flights, the market dynamics differ where there are relatively few business users with sophisticated websites, giving these business users a lot more negotiating power. As such platforms must pass on some of the platform fees to consumers in the form of service charges (e.g., Travelstart).
[253] Between 10% and 75% of hotels noted that the number of sales that a platform helps generate; 21% to 40% indicated that the extent to which the company's target customers are covered by existing online platforms; and 60% to 75% indicated that the number of potential customers the platform reaches impacted their decision to use an online platform.
[254] [redacted]
[255] [redacted]

airlines) are more sophisticated and as such tend to favour the larger platforms. Firstly, these business users generally have a centralised system, and processes such as listing on a platform are likely to be finalised through a contractual negotiation that is concluded at a national or global level[256] which have stronger negotiating power. Lastly, platforms appear to "lock in" business users through loyalty programmes or priority status[257] in exchange for better visibility on the platform (e.g., Booking.com's Genius and Preferred partner program).

2.2.4. Consumer journey

Marketing funnel and online channels

73. The starting point of the consumer journey is the marketing funnel which aims to convert low intent travellers to high intent travellers. At the beginning of the marketing funnel people need to be inspired to travel, a transition of no intent to low intent. At the inspiration phase, demand for travel is generated through travel content, which can be broadcasted on travel blogs, online videos, social media posts, television, and radio. Once consumers are inspired, they enter the travel ideation phase which involves research, discovery and planning. Here a platform can attract potential travellers through branded content, web redirects through travel partners, engage in targeted advertising and target broad search terms such as "what to do in Cape Town", etc. Once a traveller has decided that he or she wishes to travel, platforms can target these travellers in a more focussed manner i.e., through metasearch sites, search (i.e., using paid and organic), push notifications etc. to make a booking. Lastly, it is in the interest of platforms to build and maintain customer loyalty as this is cheaper than attracting new customers and keeps consumers within the platform's ecosystem. Accordingly, platforms use loyalty programs, reward schemes, incentives, and promotions to drive customers directly to the platform, especially the platform's application[258].

[256] See Section 4.5 of the Report.
[257] For example, an accommodation provider indicated concern about losing its Preferred Partner status if it did not adhere to pricing parity.
[258] As opposed to going through search where competing platforms can attract the attention of the travellers. Direct app-based bookings also avoid costs associated with search.

Figure 8: The marketing funnel



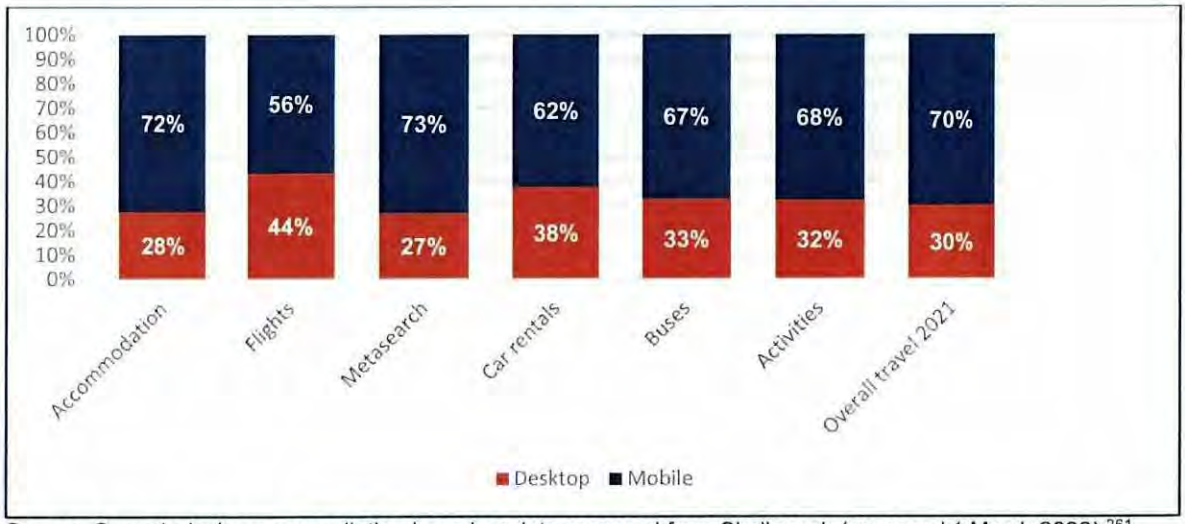
Source: Commission's own compilation.[259]

74. At the high intent level, a consumer will typically start his or her journey with either a mobile or desktop device[260] and will reach the desired travel and accommodation services through a myriad of marketing channels. A compilation of Similarweb data indicates that South African customers mainly use their mobile devices to access online travel and accommodation platforms. In 2021, 70% of the overall online platform web-based traffic was from mobile devices and the rest is from desktop devices. In the flights category however, the use of desktop devices was slightly higher compared to the other travel categories, where close to half of the customers (i.e., 44%) used desktops. The distribution according to each category is illustrated in **Figure 9** below.

[259] Adapted from Skift (2017), Available at: https://skift.com/2017/03/21/how-travel-marketers-are-measuring-content-marketing-success/ (Accessed on 10 March 2022); [redacted]

[260] Tablets represent a small fraction of online distribution of travel and accommodation products.

Figure 9: Device distribution of online platform visits, 2021.

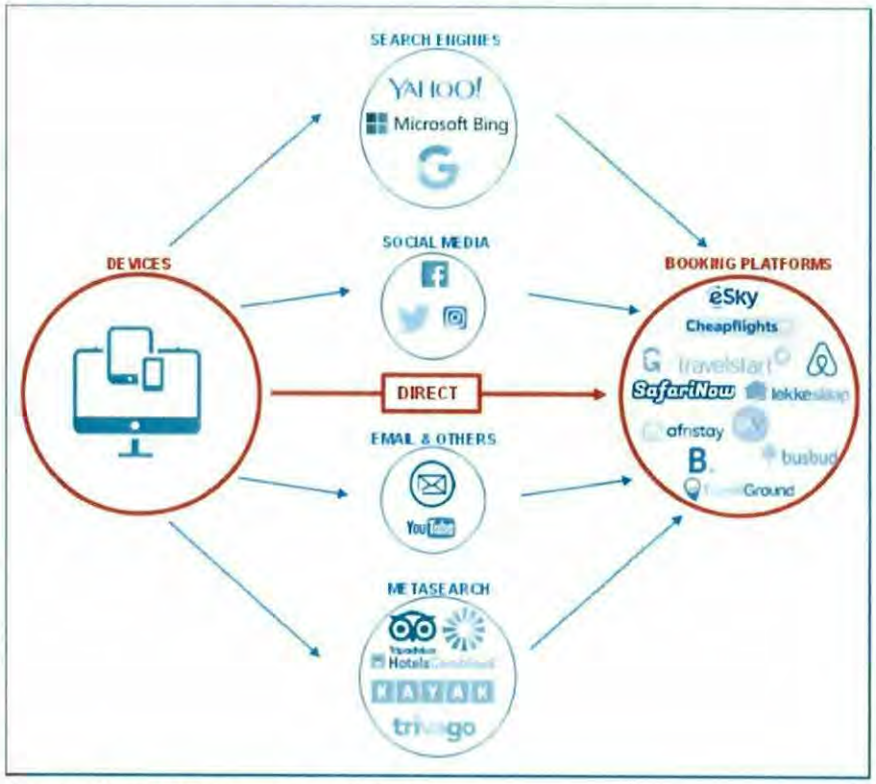


Source: Commission's own compilation based on data accessed from Similarweb (accessed 1 March 2022).[261]

75. The major marketing channels include direct, search (organic and paid) and referrals. Other marketing channels include social media, emails, and display adverts. Online platforms can be accessed through "direct" means, by either visiting the platform's web-based URL or by using the platform's mobile application directly. Online platforms can also be accessed through "referral channels" (such as metasearch sites[262]), that redirect customers to the platform. Online platforms attract consumer traffic through search engines (predominantly Google) by engaging in search engine optimisation ("SEO") for organic search results and paid search using pay per click "PPC", to improve their visibility and have a prominent display position on the search engine results page ("SERP"). The infographic below depicts the different channels that may redirect consumers to the platform.

[261] Covers 24 accommodation websites, 10 flight websites, 11 metasearch websites, 6 car rental websites, 5 bus websites and 5 activities websites.
[262] OTAs can also redirect traffic. For example, Busbud resulted in 21.6% of Booking.com's referrals in 2021. (Similarweb data, accessed 3 March 2022).

Figure 10: Online marketing channels for travel and accommodation platforms



Source: Commission's own compilation

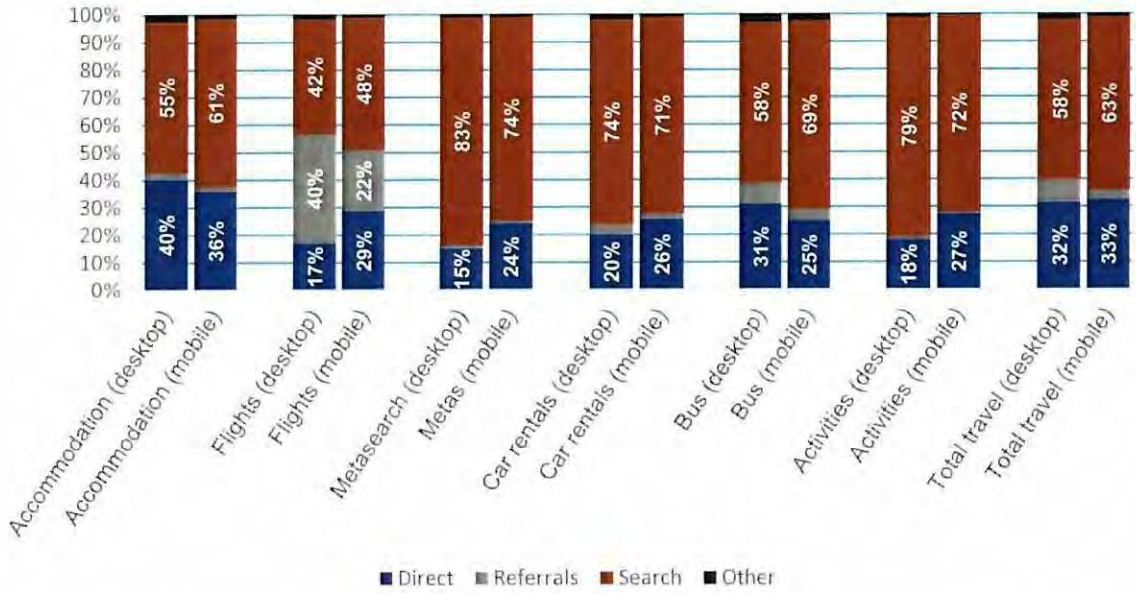
76. The main marketing objective is to direct traffic to the online platform and convert that traffic into bookings that the platform can monetize. **Figure 11** below illustrates the key drivers of traffic to online travel and accommodation platforms. The largest online marketing channel is search engine marketing "SEM", responsible for more than half web-based traffic across categories and travel and accommodation and device used. This is followed by direct channels and redirects. Direct traffic features relatively strong in accommodation, accounting for 36% to 40% of traffic, depending on the device used. This is likely due to the higher degree brand loyalty certain online accommodation platforms enjoy[263], and lessor known sites are likely to have less direct traffic[264], whereas search traffic features relatively stronger in metasearch sites, accounting for 74% to 84% of traffic. Furthermore, this reiterates metasearch sites dependence on search engines (i.e., such as Google) to drive traffic. Lastly, flights derive a relatively higher

[263] See Figure 3, p.30 in the Report

[264] For example, in 2021, 56% of Airbnb's traffic was direct and 43% of Booking.com's traffic was direct. All other online accommodation intermediation websites had less than 40% direct traffic except Travelground (collated from Similarweb data).

proportion of traffic from referrals meaning that the sources of these referrals, such as metasearch sites are important.

Figure 11: Online marketing channels for online platform by device, 2021



Source: Commission's own compilation based on data accessed from Similarweb (1 March 2022).[265]

Importance of Google Search and Metasearch Engines

77. Search engines play an important role in the customer journey especially from the research, discovery and planning to the booking phase of the journey. As such, they offer consumers with a quick way to access useful information in response to a broad range of search queries[266]. [redacted] Some of the online platforms are of the view that consumers start their journey on Google Search, searching for relevant information about travel and accommodation services[268]. This is supported by data analytics that indicated that 61%[269] of web-based traffic to these platforms comes through search engines. [redacted]

[265] Covers 24 accommodation websites, 10 flight websites, 11 metasearch websites, 6 car rental websites, 5 bus websites and 5 activities websites.
[266] CMA. 2020. Online platforms and digital advertising: Market Study. para.3.145
[267] [redacted]
[268] For example, see Expedia, OS.
[269] Own calculations using Similarweb data (Accessed on 3 March 2022).

[redacted] In the Public Hearings, Expedia pointed that Google is the starting point for 55% of online hotel bookings.[271] Vu (2020) cites a study by Expedia noting "*69% of travelers turn to a search engine when starting to think about a trip*[272]". The data analytics also indicate that search does not vary significantly between devices, mobile search engine traffic accounted for 63% of total mobile web traffic and desktop search accounted for 58% of total desktop web traffic.

78. Visible positioning in search engine search results is vital as consumers [redacted] where less than 1% of users go to the second SERP [274]. Furthermore, the higher one ranks on the SERP, it is likely that one will get disproportionately higher traffic volume and clicks[275]. To improve visibility on search results and subsequently drive consumer traffic, online platforms engage in search engine optimisation to improve relevance for their organic and paid ranking as well as bid on search terms to use paid search to acquire a prominent display position towards the top of the SERP. Google Ads are effectively paid search results labelled "Ads" with a maximum of four Ads at the top of the SERP and three Ads at the bottom[276]. Figure 12 below illustrates the overall desktop[277] search engine traffic to online platforms across various categories of travel and accommodation in 2021. Overall, 65% of desktop travel and accommodation site traffic was generated through organic search results in 2021, where accommodation alone accounted for the same proportion. Paid desktop search results featured more strongly for online activity, car rental and flight platforms, accounting for over 50% of traffic. While desktop search was the biggest driver of traffic for metasearch in 2021 at 84%, paid search traffic only accounted for 16% of this search traffic.

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[270] [redacted]

[271] Expedia, OS, p.25

[272] Vu, J. 2020. Globetrotting in a Google Run World: Google Takeover of Travel Market Risks Stifling Competition and Consumer Experience, *Harvard. Journal of Law & Technology, Volume 34.* Page 4. Available online: https://jolt.law.harvard.edu/digest/globetrotting-in-a-google-run-world-google-takeover-of-travel-market-risks-stifling-competition-and-consumer-experiences [accessed 31 March 2022]

[273] [redacted]

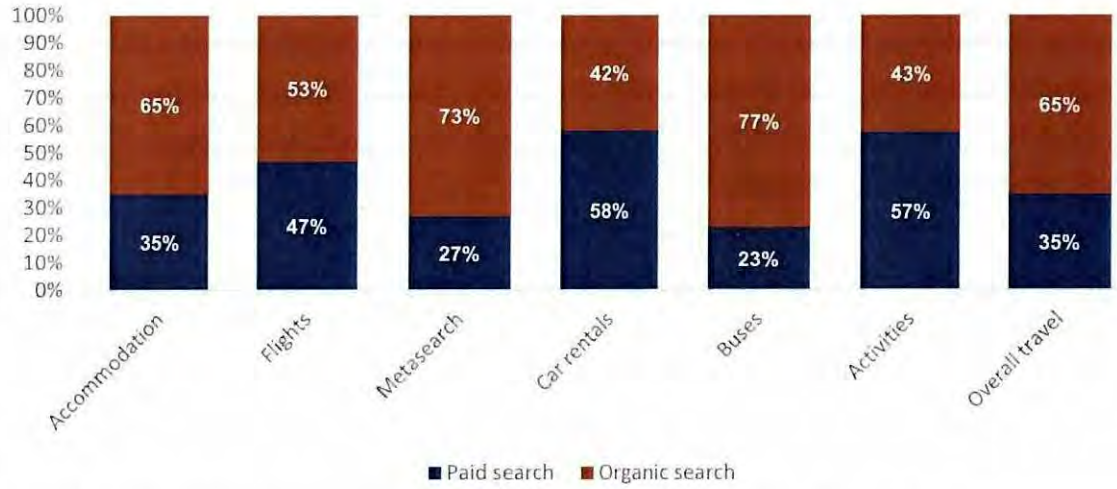
[274] Backlinko (2019) finds that 0.78% of users clicked on the second page. Backlinko, 2019. We analyzed 5 million Google search results. Available at: https://backlinko.com/google-ctr-stats (Accessed on 10 March 2022).

[275] This is demonstrated under section 3.1 later on in the report.

[276] Google, OS. p.10.

[277] A split for mobile paid and organic search was not available on Similarweb

Figure 12: Paid vs organic search (Desktop), 2021



Source: Commission's own compilation based on data accessed on Similarweb (01 March 2022).

79. [redacted] For the years 2018, 2019 and 2020, Expedia Group and Booking.com collectively accounted for 37%, 33% and 25% of Tripadvisor's global consolidated revenue respectively[281]. [redacted] Metasearch is another tool within the arsenal of large global platforms with deep pockets to drive and keep traffic in their ecosystem as local platforms make limited use of them[284].

278 [redacted]

279 [redacted]

280 [redacted]

281 Tripadvisor Inc Form 10-K SEC filing for the year ended 31 December 2020, p.6.

282 [redacted]

283 [redacted]

284 Local platform usage of metasearch sites is either non-existent or limited. Tripco and [redacted] do not use metasearch sites, whereas [redacted] uses them to a limited extent (Tripco OS, p.29, [redacted] To compare, local platform referrals typically accounted for roughly 1% of 2019 desktop traffic (except SafariNow where it was 1.95%), however, it was significantly higher for global platforms ranging between 2.33% to 6.17% (za.hotels.com). (Similarweb data, Accessed on 10 March 2022).

Mobile applications "Apps"

80. Online platforms that have developed their own mobile apps have experienced a steady year-on-year increase in the usage of mobile apps to make reservations by consumers. In 2018, the total revenue generated from mobile app bookings accounted for 22% of the total revenue generated by platforms with mobile apps. This increased to 33% in 2019 and 42% in 2020[285]. The increase in mobile app bookings is closely linked to the increase in the use of mobile devices by consumers that are searching and booking for travel and accommodation services.

81. [redacted]

Loyalty programs

82. Loyalty programs are important for building brand awareness, driving repeat customers and keeping them within the online platforms' ecosystem. Several online platforms, mostly global

[285] Own calculations based on submissions of seven platforms covering approximately 81% of the entire online travel and accommodation intermediation market in terms of revenue in 2020. Adjusting for the remaining 19% of revenue is likely to render app usage estimates slightly lower given the nature of the platforms.

286 [redacted]
287
288
289
290
291

such as Booking.com, Agoda, Expedia and Hotels.com[292] have adopted the use of loyalty programmes which seek to build a membership base by offering members incentives such as discounts, secret discounts, bundled discounts, free benefits (such as free breakfast, room upgrades, free cancellation), opaque offers[293] and points[294]. Obtaining membership is easy, for example, Booking.com members need to just sign-up to unlock level one of its Genius programme, to unlock level two members must complete five stays in less than two-years, and for level three members must complete 15 stays within two years where they unlock the best offers such as 20% discounts and priority support on all bookings[295].

83. Loyalty programs typically operate in a closed user group and appear to be mostly funded by accommodation providers[296]. However, these closed groups can be significant in size[297]. Furthermore, several OTAs require accommodation providers to fund their own discounts in order to participate in the loyalty programs. For example, Booking.com requires accommodation providers to provide a 10% discount on their cheapest and best-selling room to participate in the Genius programme[298]. This is in exchange for increased visibility through special tagging, ranking boosts, and various marketing investments[299]. For example, Booking.com claims that on average, partners who join Genius see an increase of 70% in search result views and 45% in bookings[300]. Accommodation providers can offer additional extras such as further discounts, free breakfast, free room upgrades etc[301]. Similarly, discounts can be used for secret discounts,

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[292] A limited number of South African OTAs make use of loyalty programs (for example, Lekkeslaap has a loyalty program, LekkePlus)

[293] Opaque offers are usually offers where the full information of the travel and accommodation service provider is not fully disclosed until a booking is completed.

[294] Examples of loyalty programs include Agoda's VIP loyalty program which grants customers a status based on the customer's number of departed bookings in the most recent two years where two bookings equal to VIP Silver, five equal VIP Gold and ten equals VIP Platinum. Each level of VIP status will grant users different list of benefits such as extra discounts, free breakfast, or room upgrades on selected properties. Similarly, Booking.com has a Genius loyalty programme with three levels which grants its members access to "Genius" discounts on selected properties depending on the level of the member (i.e., the higher the level the better offers) etc. Hotels.com and Expedia have a Rewards programme that offers customers points. Customers earn a stamp for every night of eligible bookings on Hotels.com. For every 10 stamps earned, customers will earn a reward night at the average value of the 10 stamps collected, redeemable at properties listed on Hotels.com.

[295] Booking.com: Genius. Available online: https://www.booking.com/genius.html (Accessed on 08 March 2022).

[296] [redacted]

[297] For example, [redacted]

[298] Booking.com Partner Hub. Become a Genius partner. Available at: https://partner.booking.com/en-us/help/growing-your-business/increase-revenue/becoming-genius-partner [accessed on 11 July 2022].

[299] Ibid.

[300] Booking.com Partner Hub. Become a Genius partner. Available at: https://partner.booking.com/en-us/help/growing-your-business/increase-revenue/becoming-genius-partner [accessed on 11 July 2022].

[301] [redacted]

opaque bookings etc.[302] Discounts funded by accommodation providers are substantial and can account for a lion share of commission revenues[303]. The Inquiry observes that the ability of leading platforms to extract significantly larger amounts of accommodation funded discounts is demonstrative of the power they yield and reinforces this power as consumers simply need to be a loyalty member and keep returning to the platform to enjoy the discounts on offer. The power that a leading platform yields is giving accommodation providers increased visibility on its platform in exchange for large amounts of accommodation funded discounts (and commissions)[304].

2.3. The business model and extracting better pricing

2.3.1. Sources of revenue

84. The business model of each category of travel and accommodation differs and subsequently so does the way they monetise their services. **Accommodation** providers monetise their services through commissions on accommodation beds and rooms[305]. Average commissions typically vary between online platforms and this commission value can change depending on an accommodation provider's need to boost its visibility on the platform. Base commission rates are typically take-it-or-leave-it or non-negotiable except for large hotel chains[306] and a small number of niche platforms actively negotiate commissions[307]. Depending on the business model, accommodation providers are responsible for the full cost of commissions, for example on OTAs such as Booking.com and Expedia, whereas accommodation marketplaces such as Airbnb and Vrbo typically charge the accommodation provider a small portion of the commission[308] and pass the majority of the commission[309] onto the customer in the form of a

[302] For example, [redacted]

[303] For example, in South Africa accommodation funded discounts accounted for [redacted]

[304] Discussed in Section 3.3 and 4.1 of the Report

[305] [redacted]

[306] See discussion in Section 4.5 of the Report.

[307] For example, accommodation providers can negotiate commission with [redacted]

[308] [redacted]

[309] Typically, [redacted] or less

service fee. [redacted]

85. Like accommodation, online **bus** intermediation platforms charge bus operators a commission. Several platforms (and bus operators) have indicated that the standard commission rate is [redacted] of turnover[311]. Additionally, bus operators get charged bank card fees of approximately [redacted] for credit/debit card transactions[312] and there have been indications that some platforms that charge VAT in addition to the [redacted] commission fee.[313] Furthermore, bus operators have indicated that they are able to negotiate lower commission rates[314] and some platforms have noted that if they were to add a mark-up, commissions they charge bus operators could potentially be less than the [redacted] standard rate[315].

86. Margins on **flights** are generally very small[316] and, as established, most flights are distributed through an airline's own website. As such, online platforms focused on intermediating flights monetize these transactions through various ways. For example, a combination of mark-ups, commissions, flat service fees, and administrative fees. Furthermore, in some instances airlines get charged distribution costs[317]. Mark-ups vary, depending on the flight type, fare class, ticket type and are determined by each seller independently based on target market and cost structures. Flat service fees are charged but are generally higher for international flights than domestic flights and they are passed on directly to the customer. Lastly, some online intermediation platforms monetize through add-on (or ancillary) products such as seat allocation, guarantees, extra bags, insurance, and white-labelled travel services such as car rentals and accommodation.

87. **Metasearch** engines, responsible for generating travel and accommodation leads, generate revenues on a cost-per-click (CPC) basis, cost-per-action ("CPA") and cost per thousand impressions ("CPM"). As the name suggests, CPCs operate where online travel platforms or

310 [redacted]
311 [redacted]; Intercape, OS; [redacted]
312 [redacted]
313 [redacted]
315 Since it is a lower LSM market. [redacted]
316 [redacted]
317 [redacted]

business users are charged every time a consumer clicks on a travel and accommodation lead. The CPC model for monetization is typically the main source of revenue for metasearch engines[318]. CPC rates are determined in a dynamic, competitive auction process, where OTAs and accommodation providers bid for rates and availability. Metasearch engines also generate revenue on a cost-per-action (CPA) basis, which consists of relevant booking links to its travel partners' websites which are advertised on their platform. CPAs are monetized by confirmed bookings and stays[319]. The CPM model typically offers businesses the ability to promote their brands through display-based advertising placements on its websites. Other forms of monetization include sponsored placements[320] and subscription-based advertising allowing accommodation providers to advertise their business on the platform including other ancillary services[321] for a flat fee over a contracted period[322].

88. **Car rental** operators distribute their inventory online through both B2B and B2C platforms. B2B distributors, such as CarTrawler (a B2B aggregator), onward distribute car rentals as "white-labelled" offerings through B2C online platforms such as OTAs. These white-labelled offerings are monetized through commissions which are split between the OTA and B2B provider and are typically negotiated individually. Car rental inventory is also distributed directly with B2C platforms such as Rentalcars and Expedia as a net rate or a commission on the gross sales amount. Net rates mean that online platforms are offered to car rentals at discount to its own online selling price of the vehicle [redacted] and then marks-up this discounted rate to reflect the selling price on the platform[324]. Online car rental platforms are also incentivized through overrides, a rebate for meeting specific volume targets[325].

89. **Activity** providers distribute activity seats online through online B2C activity platforms such as Viator and GetYourGuide and are monetized through commissions for each booking transaction

[318] CPC is the main source of revenue for metasearch engines. [redacted]

[319] [redacted]

[320] [redacted].

[321] Such as managing and promoting the accommodation provider's website URL, email address, phone number, special offers and other information relating to their establishment.

[322] [redacted]

[323] [redacted]

[324] [redacted]

[325] [redacted]

facilitated[326] [327]. [redacted] These online activity platforms generate revenue through commissions on overall sales value which are agreed with activity suppliers.

2.3.2. Dynamic pricing

90. Dynamic pricing is a feature across all categories of the travel and accommodation given its fixed capacity and varying demand. As commonly observed with flights, prices vary with seasonal demands where high prices typically reflect periods of high demand and low prices typically reflect periods of low demand. Dynamic prices take advantage of consumer surplus in periods of high demand but also enhance allocative efficiencies during periods of low demand where travel and accommodation providers experience excess capacity and need to attract sufficient volumes to justify the provision of their services[329] [330]. Car rental operators and bus operators have indicated that if they do not engage in dynamic pricing, then they will not be able to survive as uniform pricing is unsustainable[331]. Increased revenues from high demand periods allows operators to sustain their operations during low demand periods[332]. Similarly, airlines, given their low margins, also need to engage in dynamic pricing to be sustainable[333]. Dynamic prices can be determined by using software of varying levels of sophistication[334]. For example, car rental operators use different software systems for their dynamic pricing matrix[335] which allows them to have a clear view of which rates are being charged and to help them determine the rate to optimize revenues[336].

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[326] Commission rate typically range from 15% to 30%. In some cases, activity platforms get offered activities at discounted net rates

[327] [redacted]

[328] [redacted]

[329] Market Inquiry into the Land Based Public Passenger Transport Sector. 2021. p. 186.

[330] Having said this, in the extreme, dynamic pricing can potentially be exploitative in the situation where a service provider maximizes its producer surplus at the expense of consumer surplus, and profitably does so in both high and low seasons. More economic research is needed into the possible exploitative effects of dynamic pricing.

[331] [redacted] Market Inquiry into the Land Based Public Passenger Transport Sector. 2021. p. 186.

[332] Market Inquiry into the Land Based Public Passenger Transport Sector. 2021. p. 186.

[333] [redacted]

[334] For example, some car rental operators use Excel to determine dynamic prices and others use software such as Bluebird with built-in price shopping software (e.g., RateGain). [redacted]

[335] [redacted]

[336] [redacted]

2.3.3. Major cost breakdowns

91. The Annual Financial Statements of online travel and accommodation platforms reveal that the largest expense item on the Income Statements is marketing and selling expenses. In 2019, marketing and advertising expenditure ranged between 26%-51% of total revenue for OTAs, with most of this expenditure ranging between 30 to 40%[337] [338]. In the same year marketing expenditure to total revenues was even higher for metasearch sites, which ranged from 43% to 80%[339]. Marketing and selling expenditure include display advertising, metasearch lead generation, brand marketing spend, search engine marketing (including organic search engine optimization "SEO" and pay-per-click "PPC" advertising), and paid media spend[340]. Marketing spend is critical in online travel and accommodation intermediation to drive consumer acquisition and effectively business where especially spend on Google Search is important (discussed later in the Report). Paid search engine marketing, effectively comprising of Google's text Ads (i.e., or PPC spend) is typically the largest marketing expenditure item, generally accounting for more than 20% of revenues earned[341].

92. Most platforms had positive operating profit margins pre-covid, however, some platforms[342] have opted for a loss-leading strategy to establish their brand and expand their platforms. This in turn is likely to favour platforms with large amounts of resources and capital on hand, such as global platforms, that use these resources to acquire customers. Having said that, having a strong brand presence combined with significant resources in any given country is paramount to becoming a leading platform. For example, Expedia (i.e., the world's second largest OTA), has not been able to make significant in-roads into the South African market despite having significant resources. Lastly, employee costs are the second largest expense item which generally ranges between 15% and 30% of total revenues[343].

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[337] This was the case for 7 out of 10 (and all South African) platform businesses where the average marketing expense to revenue ratio was 34.7%.

[338] [redacted]

[339] [redacted]

[340] [redacted]

[341] [redacted]

[342] [redacted]

[343] Own calculations based on various financial statements. [redacted]

2.3.4. Average commissions and indications of market power

93. The Market Inquiry seeks to track average commissions[344] and revenue as a potential indicator of market power. Generally speaking, platforms with more market power can attract higher average commissions. While standard commission rates might stay the same (e.g., at 15%)[345], online platforms, particularly those with market power, can attract additional commissions in exchange for increased visibility on the platform[346]. Booking.com, the leading accommodation intermediation platform, also charged the highest average commission compared to its rivals[347]. For example, its global rivals operating in South Africa earned significantly lower rates of average commissions[348].

94. Furthermore, evidence suggests that Booking.com has been able to gradually increase its average commission rates over time. Figure 13 below depicts Booking.com's average commission rates earned in South Africa between 2010 and 2021. Since 2015, Booking.com's average commission rate experienced a double-digit increase[349]. Similarly, Booking.com's commission revenues increased significantly over this period[350]. Booking.com's rapidly rising revenues and the ability to unilaterally extract incrementally higher commissions over time, independent of local and global competitors, suggests that Booking.com is likely to have leading platform power for the provision of online accommodation intermediation services.

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[344] Average commissions are calculated by dividing total commissions received by Gross Booking Value (GBV) in a given period of time.

[345] [redacted]

[346] Average commission rates charged by online accommodation platforms ranged between 10% - [redacted]

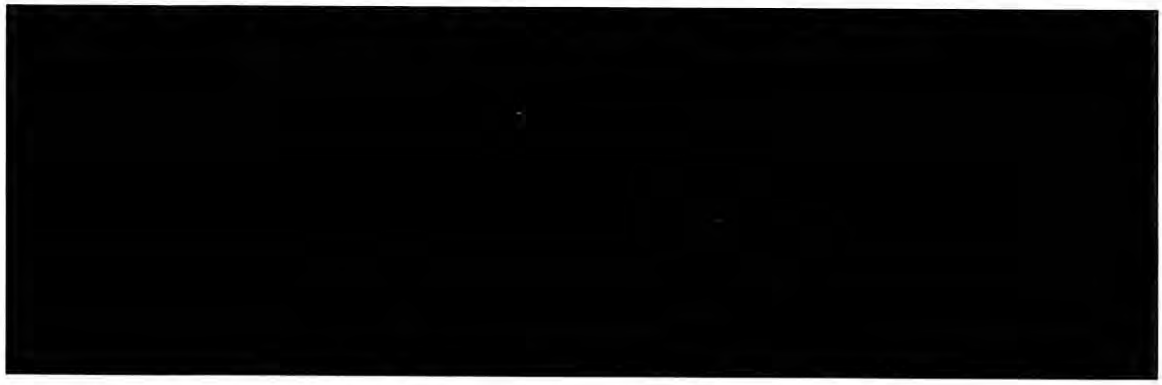
[347] [redacted]

[348] For example, Expedia which saw a significant drop international travellers charged an average commission of [redacted] and Agoda, a smaller platform in the Booking Holdings stable, charged an average commission of [redacted] Airbnb's average commission was [redacted] (Own calculations made on data submitted by various platforms).

[349] [redacted]

[350] Booking.com's average commissions increased [redacted]

Figure 13: Booking.com's average commissions, 2010 to 2021



Source: Commission's own compilation

95. Average revenues earned by online platforms in the flight sector are lower than accommodation, ranging between 1% and 13% in 2019 and an average rate of 9%[351]. The large range may reflect the differentiation in the airline industry where low-cost carriers operate on low margins restricting their ability to pay high commissions to online platforms for distribution and distribute a larger share of bookings through their own websites. Traditional (full-service) airlines with interlining traffic that must use OTAs to construct a flight itinerary may be more reliant and willing to pay. Average commissions or discounts (due to net rates) are high in the car rental space where there are effectively two major players, Booking.com Transport Limited (also known as Rentalcars) and Cartrawler, a B2B intermediary that partners with third party customer facing platforms to distribute car rentals[352]. Expedia, the third and smaller competitor[353] had a significantly lower average commission/discount rate[354]. In the online bus intermediation space, average commissions for Flightsite and Computicket[355] are below the industry standard of 10%[356]. Since it entered the online bus ticket distribution market, Busbud's online platform revenue share has grown significantly at the same time its average commission rate charged to bus operators appears to have also grown significantly and well above the

[351] Own calculation using submissions across 6 platforms. Average revenues calculated by dividing total revenues by GBV of flight. In 2020, the average revenue dropped to 5% following to the pandemic.

[352] (Own calculations from submission by

[353]

[354] Which was

[355]

[356] Intercape, OS, p.9, para14.

industry standard rate[357]. What sets Busbud apart from its South African based rivals is that it seems to be a pure internet company in that Google Search appears to be its predominant driver of customer acquisition[358].

2.3.5. Good pricing and promotions

96. Good prices, promotions and discounts are a means to draw new and repeat customers to the platform. These promotions and discounts are typically funded by accommodation providers (discussed later under loyalty programs) in exchange for increased visibility on the platform (as is the case with sponsored commissions)[359]. Accommodation providers believe that visibility is important, noting that if one's establishment is not visible on the first or second page of the platforms search results[360] then one might as well shut down their operations because visibility plays a crucial role[361]. Evidence suggests that it is important to be in the top 5 results as they are responsible for 65%-86% of bookings[362]. As such, accommodation providers are encouraged or feel compelled to offer competitive prices through discounts, promotions, and incentives in order to boost their visibility on OTAs that typically attract considerable consumer support and transaction volumes[363].

97. For example, Booking.com offers accommodation providers the option to participate in number of deals, over and above its Genius loyalty program, including but not limited to basic deals, secret deals, early booker deals, last minute deals, limited time deals, and business booker rates. For example, Booking.com's basic deal allows accommodation providers to choose the discount percentage, stay dates, minimum length as well as stay book dates of their choice; or the limited time deal where an accommodation provider will be shown at the top of the search

[357] Busbud's online platform revenue share more than quadrupled from [redacted] in 2019 to [redacted] in 2021. At the same time, its average commissions increased from [redacted] to [redacted] over the same period. The reasons for the increases in average commission rates is unknown at present but the Inquiry will follow up on this.

[358] [redacted]

[359] For example [redacted] indicated it would rather pay higher commissions to boost visibility than provide discounts. [redacted]

[360] The number of results per page varies across platforms. In this instance the stakeholder was referring to 15 results per page.

[361] [redacted]

[362] Discussed in section 4.1. of the report

[363] [redacted]

results for a minimum discount of 40%.[364] Therefore, consumers wanting a deal, say a 40% discount on a stay, are drawn to the platform and effectively kept in its ecosystem and this is all funded by the accommodation providers[365]. While there might be efficiencies for accommodation providers (e.g., an accommodation provides deep discounts to fill spare capacity), it is quite likely the case that accommodation providers feel compelled to provide these discounts to maintain good visibility and click-through-rates on leading platforms.[366] [367]

98. Another feature of the OTA market is the prevalence of strike-through rates displayed on the platform. [redacted] It has been raised, however, that some of the strike-through prices factor in dynamic prices[369]. For example, if a hotel room cost R1500 on a Saturday night but R1000 on Wednesday night, a strike-through price of R1500 (suggesting a 33% discount) on the Wednesday night is misleading because it does not represent a genuine discount. This has important significance for consumer choice.

2.4. The role of "wholesale" intermediaries in the value chain

99. A common feature across all categories of travel and accommodation is the role that business-to-business "B2B" intermediaries play in the online distribution of travel and accommodation services, where they act as aggregators of supply and wholesalers of travel services, which are onward supplied to online B2C platforms and other customer-facing sellers. Examples include

[364] See Setting Up a Basic Deal. Available online: https://partner.booking.com/en-us/help/rates-availability/rates-special-offers/setting-basic-deal [accessed 11 July 2022]. And Activating the Limited-time Deal. Available online: https://partner.booking.com/en-gb/help/rates-availability/rates-special-offers/activating-limited-time-deal [accessed 11 July 2022].

[365] There is innate trade-off where a leading platform leverages its leading platform power such that customers effectively get lower prices, but accommodation providers are compelled to take cuts in their margins when funding these lower prices. The platform is the ultimate winner as it reinforces its leading status keeping accommodation providers dependent on the platform due its large customer base (who are benefitting from the discounted prices) and shielding themselves from platform competition coming from platforms with lesser degrees of platform power and cannot reasonably replicate the same level of accommodation funded discounts, and this can potentially tip the online market in the favour of the leading platform. This is discussed in more detail in Section 3.3 of the Report.

[366] For example, [redacted]

[367] [redacted]

[368] [redacted]

[369] [redacted]

bedbanks (e.g., Hotelbeds) in accommodation; Global Distribution Systems "GDS[370]" (e.g., Amadeus, Travelport and Sabre) and content aggregators (e.g. Travelfusion and Trans-end) that operate mostly in flights; CarTrawler in car rentals and activity platforms such as Viator and GetYourGuide which operate both as online B2C platforms and B2B white-label partners for the distribution of activities through several OTAs. B2B intermediation represents a relatively small proportion of overall online B2C distribution[371] for accommodation and activities[372] but features significantly in the online distribution of flights[373] and car rentals[374].

100. B2B intermediaries, such as GDS and bedbanks, have historically supplied offline channels, however, they now supply both offline and online channels[375]. The value proposition that these B2B intermediaries bring to online B2C platforms are that they access fragmented supply from a variety of travel service providers, aggregate it, and then onward distribute this supply to a fragmented set of customer-facing service providers including online B2C platforms. This means that each B2C platform does not have to contract with each travel service provider but rather contract with the B2B intermediary to get access to several travel service providers. For example, instead of contracting with one car rental operator, an airline can contract with Car Trawler to get access to supply from several car rental operators. This also enables a platform to (i) pursue a global strategy and (ii) operate as a one-stop-shop. For example, a platform that wishes to expand into another country can obtain supply of accommodation from bedbanks[376] while it establishes its own direct connections. Furthermore, platforms wanting to establish a portfolio of travel services can enter a white-label arrangements with B2B intermediaries to offer additional services that are not core to its business operations[377].

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[370] Note GDS typically distribute flights but also distribute hotels and car rentals.

[371] [redacted] (own calculation using overall data submitted by platforms and data submitted in

[372] Approximately 2% of activity revenues were collectively distributed through OTAs as 3rd party white-label distributors.

[373] For example, GDS accounts for [redacted] international flight distribution and [redacted] of its overall flight distribution [redacted]

[374] [redacted]

[375] [redacted]

[376] SafariNow obtains supply of accommodation in other countries from bedbanks. (SafariNow, OS, p.3).

[377] The Inquiry found that numerous white-label arrangements exist. [redacted]

101. For accommodation, car rentals, and activities, most B2B services in South Africa are distributed on a net rate basis, negotiated on an individual level, where these travel and accommodation services are sold at a discounted rate to wholesalers (B2B intermediaries), and they are onward distributed to B2C sellers at a mark-up[378]. Final selling prices to end consumer are set by either the third-party B2C distributor or the B2B intermediary, depending on the category of travel and accommodation[379]. B2B services can also be distributed on a commission basis, where the travel service is sold by the B2C platform (e.g., an OTA) at a recommended price and the B2B intermediary would pass on a portion of the commission to the B2C distributor[380]. B2C distributors are also rewarded overrides from B2B intermediaries, (i.e., additional rebate revenues and commissions for achieving volume-based targets)[381]. In the case of flights, content aggregators typically charge a flat fee per booking[382], and GDS charge a myriad of fees such as flat fees per action[383] or segment basis[384] and fixed subscription fees, etc[385].

2.5. Barriers to entry and expansion

2.5.1. Barriers to entry

102. In terms of **accommodation**, barriers to entry are low [386] with no specific regulatory framework that regulates the online accommodation intermediation market[387]. Some platforms have indicated that technology could be a barrier because new entrants might not have the technical functionality that established platforms have[388] (such as developing the platform, maintaining it, introducing innovative functions and features). While an entrant can easily develop a website

[redacted]

[378] This is also known as the Merchant Model.

[redacted]

[379] [redacted]

[380] [redacted]

[381] [redacted]

[382] [redacted]

[383] [redacted]

[384] [redacted]

[385] [redacted]

[386] [redacted]

[387] Except compliance to general laws such as the POPI Act [redacted]

and app, they are far from the level of sophistication offered by global OTAs[389]. In terms of **flights** the barriers to entry are somewhat higher than in the case of accommodation. For a platform to distribute airline tickets they must have access to GDS content and an IATA accreditation where payments are facilitated through it[390], and obtaining this accreditation is expensive and onerous. Furthermore, API integration is both difficult and expensive[391], the market is complicated both at a technical and operational level, a platform needs to partner with many players, things change quite quickly, there is more regulatory red tape, the jargon and the terms used in the market is also highly technical, complicated, and difficult to easily grasp[392]. In online **car rental** intermediation, the main barrier to entry is building a network of partners[393] and the time and effort needed to integrate with an API can be prohibitive[394]. In online **bus** intermediation the main barrier to expansion is that bus operators typically lack technical capabilities and do not have the systems in place[395] to distribute their inventory digitally. In the **activity** space concluding contracts with tour operators and attractions is a barrier for new entrants because they may be sceptical to do business with new travel marketplaces[396]. Furthermore, another challenge for online activity platforms is to get activity providers to get the relevant software to assist attractions to be well connected[397].

2.5.2. Search engine marketing as a barrier to expansion

103. Even where entry is easy, expansion is generally extremely difficult given the role of marketing in customer acquisition and network effects. Many platforms, particularly small local travel and accommodation platforms have raised the concern that Google Ads favour the biggest spenders on paid search which are typically the platforms with large marketing budgets[398]. This is because visibility on the search engine results page ("SERP") matters significantly if a

389 [redacted]
390 [redacted]
391 [redacted]
392 [redacted]
393 [redacted]
394 [redacted]
395 Flightsite, OS, p20.
396 [redacted]
397 [redacted]
398 Platforms which have raised this issue include ([redacted]; SafariNow, OS, p.5-6; [redacted]; [redacted]; SA-Venues, OS, p.10; ATKV, OS, p.16; [redacted]).

platform wishes to drive traffic and acquire new customers. As discussed in Section 3.1 of the Report, being ranked in the top positions on the SERP attracts disproportionately more consumer traffic[399], except for Google's Travel Unit depending on the query[400]. SafariNow noted, as delineated in Section 2.2 of the Report, that the easiest way to drive traffic is through paid search, an area where Booking.com has established and entrenched itself for the provision of online accommodation intermediation services. For example, Booking.com's paid search spend was larger than most of its rivals' total revenues[401]and still maintains a positive return on investment[402]. [redacted] Similarly, in South Africa the predominant driver of search traffic for global platforms such as Booking.com, Agoda and Hotels.com was paid search[406] and it is evident that the leading platform has taken an [redacted] paid [redacted][407]. Lastly, having a strong search presence over a long enough period inadvertently becomes a branding tool as the platform is perpetually in the eye of the consumer when he or she searches on Google[408] [409].

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[399] A point also noted [redacted] SafariNow, OS, p.5; [redacted]

[400] For example, across all sources of information assessed, the first result attracts more than 30% of consumer traffic on average following a query.

[401] [redacted]

[402] [redacted]

[403] See Tripco, OS, p. 21 – 24 positing an argument of how this could happen. In fact, the Inquiry have found in strategy documents that large global OTAs are able [redacted]

[404] Converted into Rand value using an average 2019 Rand/Dollar exchange rate (R14.4496/$) from Booking Holdings publicly available SEC 10-K filing for the year ended 31 December 2021.

[405] [redacted]

[406] Using Similarweb data for desktop traffic in 2021, paid search accounted for Booking.com (56%), Agoda (62%), and Hotels.com (55%) of total desktop search traffic. Lekkeslaap, South Africa's largest accommodation intermediation platform, was the only other platform that also predominantly derived its search traffic through paid (57%). The general observation is that the largest platforms, except for Airbnb which already has a strong brand presence, tend to focus their search strategy by targeting customer acquisition through paid search.

[407] [redacted]

[408] Tripco, OS, p.22.

[409] Echoing this, a small intermediary platform noted that "*As a start-up it is difficult to build a brand, as one needs to build market share, one needs to spend on Google and this is expensive. The biggest challenge for a new entrant expanding its business is to get customers without a massive marketing budget.*" [redacted]

104. Aside from the marketing spend of leading platforms which is practically insurmountable for smaller platforms to match[410], the network effects that these leading platforms derive from customers supporting their marketing drives (by transacting with the platform) means that new entrants are faced with other barriers to expansion. These include greater discounts that leading platforms can extract from travel service providers given the platforms access to a large pool of customers[411] and they even have the resources to fund the discounts themselves to provide the best prices to consumers. Smaller platforms are unable to replicate the depth and scale of these discounts simply because they do not have the power to leverage visibility and access to customers in exchange for discounts funded by travel service providers in a way that leading platforms are able to. The effort that the travel service providers put into promotions and active marketing through leading platforms is significantly smaller or absent in smaller platforms that offer them fewer chances for customer acquisition.

2.5.3. Successful entry through differentiation

105. Local online accommodation platforms have entered and expanded, to a limited extent, by focusing on niche markets and providing a differentiated service offering[412]. For example, Tripco's Lekkeslaap platform initially targeted Afrikaans speaking travellers with a focus on brand building as opposed to just capturing clicks via Google.[413] [414] Subsequently it has built sufficient brand-trust and now English speakers are its fastest growing customer group[415]. Prior to Lekkeslaap, Tripco developed its Travelground brand by targeting long-tail niches (i.e., see **figure 14** below) which are search terms that provide only a small volume of clicks, but because of the low interest, clicks are more affordable[416]. Tripco notes that revenues generated through long-tail searches can be significant on aggregate where the platform would then be able to afford more competitive search terms[417]. Much of Tripco's growth initially targeted smaller towns and from there it was able to expand into bigger metropolitan areas[418]. However, while this

[410] Because the marketing spend of said platforms can be higher than the actual revenues earned by most its competitors.
[411] Travel service providers typically exchange discounted prices for improved visibility on the platform.
[412] For example, Tripco differentiates its business by adding a human element such as phone lines that are operated each day, 365 days a year, until midnight. (Tripco, OS, p.18). This contrasts to the global OTAs which typically have automated systems.
[413] [redacted]
[414] Tripco, OS, p.17.
[415] Tripco, OS, p.17.
[416] Tripco, OS, presentation, slide 12
[417] Tripco, OS, p.15.
[418] [redacted]

strategy may have worked for Tripco, SafariNow notes that while long-tail searches used to be a hedge against the big international OTAs, with bedbanks and the distribution of inventory being so easy, it has become quite simple for these OTAs to have a product portfolio all over the country that allows them to bid in destinations or markets that were previously considered niched[419]. Similarly, barriers to expansion exist in highly competitive nodes, for example, Tripco notes that it wouldn't target a stay at a big hotel in an urban centre as Booking.com owns that space[420]. As such, there has been successful entry of local online accommodation platforms, but they have not been able expand in a meaningful way[421] with many limited to their niche.

Figure 14: Long-tail search as depicted by Tripco



Source: Commission's own compilation adapted from Tripco's presentation for the public hearings, slide 12

106. Airbnb has managed to differentiate itself as a global platform where it has innovated and positioned itself in a way that connects travellers to a new type of accommodation provider (or "hosts") including but not limited to people's homes, apartments, garden flats etc., (i.e., often referred to by competitors as alternative accommodation). As such, Airbnb unlocked the potential for hosts to share their unique spaces and earn income in a way that was previously not possible and for guests to visit places and book unique spaces that were difficult to access before Airbnb. The platform enabled latent supply which in turn created demand for a

[419] SafariNow, OS, p.10-11.
[420] Tripco, OS, p. 26.
[421] Considering that local platforms represent roughly 10% of online accommodation intermediation in South Africa. See Section 1.2.3, Table 3 of the Report.

differentiated travel experience relative to traditional OTA offerings such as local living, access to new neighbourhoods, and cultural exchange[422]. While local competitors have noted that Airbnb is different[423], as they target mostly alternative accommodation[424], there are still overlaps with these local competitors in terms of the type of establishments they market on their platform[425]. Airbnb has established its brand through [redacted]. Although Airbnb claims not to [redacted] competitors point out its prominence as a brand[429] and subsequently most guests discover Airbnb [redacted] Correspondingly, Airbnb has been the fasted growing and second largest online accommodation platform in South Africa[431]. This position is however fairly unique, and it is typically associated with a pioneer platform into new categories of travel and accommodation as was in the case of Airbnb and online intermediation for private home rentals.

2.6. Owning the traveller

2.6.1. Global platforms and foreign traveller ownership

107. Having an online presence in the travel and accommodation space means that establishing a brand and brand-trust is also important facet to driving consumer traffic[432]. Over and above Google Search, one can establish a brand presence through a host of offline and online channels, which can also be referred to as an omni-channel approach in marketing[433]. Brand development can embody radio campaigns, newspaper spots, television marketing, billboards

[422] Airbnb. (2018). Airbnb in South Africa: The Positive Impact of Healthy Tourism. Available at: https://news.airbnb.com/wp-content/uploads/sites/4/2019/06/Airbnb_SouthAfricaEconomicImpactStudy_180831.pdf . (Accessed on 17 March 2022)
[423] Tripco, OS, p. 20.
[424] SafariNow refers to this as informal accommodation (SafariNow, OS, p.3)
[425] Tripco, OS, p. 21. Tripco also notes that some forms of alternative accommodation were already on the books of local platforms prior to entry of Airbnb e.g., holiday homes in Knysna (Tripco, OS, p. 21).
[426] [redacted]
[427] Due to being somewhat different (Tripco, OS, p. 21).
[428] [redacted]
[429] SA-Venues, OS, p.10.
[430] [redacted]
[431] See Section 1.2.3., Table 3 of the Report.
[432] Tripco, OS, presentation, slide 19.; [redacted]
[433] [redacted]

and having a social media presence[434]. While establishing a brand that appeals to domestic travellers, who might travel domestically once or twice a year, can be effective, having a brand that appeals to foreign travellers is different[435]. Foreign travellers, like domestic travellers, trust brands they know which makes it difficult for local brands to sell to international guests as they only come to South Africa once or twice in their lifetime[436]. As such "*South African brands will never be able to access this in-bound segment of the market to the same extent that global platforms*[437]" in any practical sense[438]. This view is evidenced by the fact that over 95% of bookings across South African online accommodation platforms constitute domestic travellers[439].

2.6.2. Ability of leading platform to leverage and dominate niche areas

108. The ability of a large (and global) online accommodation platform with deep pockets and brand power to switch to providing niche accommodation services and types is relatively easy. This is because channel management software makes it easy for an accommodation provider to offer the same room on multiple platforms. For example, a hostel might advertise the same beds on Hostelworld, Booking.com and Airbnb.[440] In this vein, larger global platforms can leverage its brand, access to international travellers, marketing and SEO expertise, and the ability to fund paid search to attract a significant amount of traffic, and possibly dominate these niche areas over time. For example, Booking Holdings notes that "*companies specializing in one type of travel service or product could expand their offerings to compete with us more broadly*"[441]. Similarly, Booking.com currently competes in all sorts of niche accommodations[442] such as alternative accommodation which it entered and currently actively competes with platforms such as Airbnb and Vrbo.[443].

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[434] Tripco, OS, presentation, slide 18.; [redacted]
[435] Tripco, OS,p18.
[436] Tripco, OS, p.18.
[437] Tripco, OS, p.18.
[438] Tripco, OS, presentation, slide21.
[439] Discussed in Section 2.1.2 of the Report.
[440] Based on own observation.
[441] Booking Holdings SEC 10-K filing for the year ended 31 December 2020, p.16.
[442] For example, hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels and other properties.
[443] Booking Holdings SEC 10-K filing for the year ended 31 December 2020, p.16.

2.7. Expansion by South African platforms into other markets

109. While there is scope for expansion into regional Sub-Saharan territories, expansion into international markets is restrictive for domestic accommodation intermediation platforms[444]. For example, Afristay has partnered with establishments across Africa[445], Tripco operates successfully in Namibia[446] and SafariNow operates in Namibia, Botswana and Mozambique[447], typically regions that are self-drive from South Africa[448]. Regarding expansion into international markets, Tripco noted that it does not intend to partner with foreign establishments because its target market does not associate with their brands in relation to international travel[449]. SafariNow, however, tried to launch its platform internationally by partnering with a bed bank granting it access to 150 000 establishments internationally[450]. SafariNow found it incredibly difficult to establish itself because it did not have the necessary budget to compete in the traffic acquisition space in places like Europe where competition is super high and the cost to drive traffic was out of its budget[451].

3. Platform Competition Issues

3.1. Google's impact on competition between platforms

3.1.1. Google as a key input into driving consumer traffic

110. Online travel and accommodation platforms have indicated that "*traffic to one's website is the only metric that counts*[452]" and "*expenditure on marketing, and in particular Google Adwords for favourable rankings, is critical to creating a presence for a platform entering and expanding in the online accommodation intermediation space*"[453]. As such Google Search accounts for a

[444] The only platform that has an incrementally international footprint is Travelstart, however, this is focused on flight intermediation. Travelstart's focus is primarily on Africa, it is headquartered in Cape Town, and has offices in Nigeria, and Egypt. It also has an office in Dubai and development hubs in Athens, Porto, Taipei, India, and Mauritius. (TS, OS, p.2).
[445] Afristay, About Us. Available at: https://www.afristay.com/about/#tab_our_story (Accessed on 22 March 2022). Approximately [redacted] of Afristay's establishments are outside South Africa. (Afristay, WS1a,)
[446] Tripco, OS, p28.
[447] SafariNow, OS, p5.
[448] SafariNow, OS; Tripco, OS.
[449] Tripco, OS, p. 28.
[450] SafariNow, OS, p.3.
[451] SafariNow, OS, p.5.
[452] [redacted]
[453] [redacted]

significant portion of user traffic[454] and is a critical input into downstream specialized search markets[455]. For example, Google accounted for 58% of desktop and 63% of mobile online traffic for travel and accommodation platforms in 2021[456] in South Africa[457]. Furthermore, this is highlighted by the fact that marketing expenditure is typically the largest expense for OTA's and metasearch sites, ranging between 26% and 80% of total revenues, where Google Ads constitutes most of this expenditure[458].

111. Given Google's upstream monopoly for the provision of search services[459], platforms consider it a gatekeeper[460] of traffic to the search engine results page ("SERP") and subsequently their own websites. This is consequential for platforms seeking to attract new customers as Google is effectively in control of the top of the customer purchase "funnel"[461] [462]. This confers "bottleneck" power onto Google[463] where they can effectively bottleneck the process[464]. For travellers and any subsequent travel and accommodation research, Google is the single most important starting point[465]. As such platforms (or specialised search engines) in the downstream (from search) are reliant on Google Search results[466] and view Google as an unavoidable input of consumer traffic[467].

112. The UK's Competition Markets Authority ("CMA") mirrors these concerns by noting that "*all of the specialised search providers that we spoke to told us that they are heavily reliant on Google as a key source of user traffic and do not have alternatives.*[468]" It appears as though Google Search is effectively an essential facility. For example, in the Google Shopping case, the

[454] Submission by various platforms. For example, see Tripadvisor, SEC 10-K filing for the year ended 31 December 2020, p. 11. (Available at: https://ir.tripadvisor.com/static-files/c7f9a2d6-a737-4971-8d27-851a69c20d9b [Accessed on 11 July 2022]).
[455] [redacted]
[456] Discussed in Section 2.2.4 of the Report.
[457] Expedia notes that Google is the starting point for 55% of all online hotel bookings. (Expedia, OS, presentation, slide 13).
[458] Discussed in Section 2.3.3 of the Report.
[459] [redacted]
[460] [redacted]
[461] View of several platforms.
[462] [redacted]
[463] [redacted]
[464] [redacted]
[465] View of several platforms.
[466] View of several platforms.
[467] Based on the Inquiry's own observations and supported by market participants.
[468] Competition Markets Authority, 2020. Online Platforms and Digital Advertising Market Study, Final Report, 1 July 2020, para. 3.141.

General Court of the European Union stated that "*it must be noted that Google's general results page has characteristics akin to those of an essential facility … in as much as there is currently no actual or potential substitute available that would enable it to be replaced in an economically viable manner on the market.*"[469] Graef (2019: 40) notes that "*assets like data or rankings as the backbone of many digital markets may form the subject of essential facilities claims. Access to data or being ranked by an online platform can now be essential for businesses to compete in the market.*[470]" As such, Guggenberger (2021) notes that "*the essential facilities doctrine provides a crucial element of a comprehensive toolkit to rein in the gatekeeper power of Big Tech*[471].

113. The travel and accommodation vertical is important to Google[472] as it is currently a large source of revenue[473] and will likely be a large source of future add revenues. Skift research estimates that globally the travel industry may have spent as much as $16 billion advertising[474] on Google in 2019 where Booking Holdings and the Expedia Group were the two largest contributors to that[475] [476]. [redacted]

[469] General Court of the European Union.2021. Google and Alphabet v Commission (Google Shopping). Judgment in Case T-612/17. Paragraph 224. Available online: https://curia.europa.eu/juris/document/document.jsf?text=&docid=250881&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2013283 (Accessed on 30 March 2022).

[470] Graef, I. (2019). Rethinking the essential facilities doctrine for the EU digital economy. *TILEC Discussion Paper No. DP2019-028*

[471] Guggenberger, N., 2021. Essential platforms. *Stan. Tech. L. Rev.*, *24*, page 343. Available online: https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3864214_code2409814.pdf?abstractid=3703361&mirid=1 (Accessed on 30 March 2022).

[472] [redacted]

[473] [redacted]

[474] [redacted]

5). This suggests that global travel (text ads and Hotel Ads) accounted for [redacted] of Google's worldwide Search & other 2019 revenues valued at $98.1bn. (See Alphabet 10-K filing at the SEC for the year ended 31 December 2020, p.33, available at: https://abc.xyz/investor/static/pdf/20210203_alphabet_10K.pdf?cache=b44182d [accessed 12 July 2022]).

[475] Skift Research, (2020). A Deep Dive into Google's Impact on Travel 2020. Available online: https://research.skift.com/report/a-deep-dive-into-googles-impact-on-travel-2020/ (Accessed on 17 April 2022)

[476] [redacted]

[477] [redacted]

[478] [redacted]

3.1.2. The importance of visibility: ranking, display and size on the SERP

114. Visibility on the SERP is a critical component in the online distribution of travel and accommodation services as it has an impact on website traffic. Visibility is a function of where the link to a given website falls within a list of links provided (i.e., the rank), the overall size of that link (and sub-links) and the display of that link (e.g., does it have pictures and is it colourful). Furthermore, being on the first SERP is important as more than 99% of the clicks[479] [480] happen here[481].

The importance of ranking

115. Ranking first and within the top 4 results for a given search is critical to drive traffic[482]. Click-through-rates ("CTR") are calculated by dividing the number of clicks by impressions, where an impression is counted whenever a link to a website appears in the SERP accessed by a user following a query (search term), whether or not the link is scrolled into view[483]. For example, Backlinko (2019)[484] found that after analysing organic[485] CTR data across 874,929 pages and 5,079,491 search queries that (i) the first result has an average CTR of 31.7%; (ii) the first result is 10 times more likely to receive a click compared to a link in the 10th spot; (iii) CTR's for positions 7-10 is virtually the same, therefore moving up a few spots on the bottom of the first page may not result in more organic traffic; and (iv) on average, moving up one spot in the search results will increase CTRs by 30.8%[486]. **Figure 15** below shows the average CTRs' and

[479] According to Barrell, J. (2021). 31 SEO statistics for 2021 and what they tell us (+ VIDEO). Available online: https://www.impactplus.com/blog/seo-statistics (Accessed on 17 April 2022).

[480] [redacted]

[481] Google argues that the expectations of Google Search is to provide the most relevant information which will appear on the first page (Google, OS, p. 39)

[482] For example, [redacted] that to be in the top four positions drives approximately 70% of traffic. [redacted]

[483] Google 2022. What are impressions, position, and clicks? Available online: https://support.google.com/webmasters/answer/7042828?hl=en (Accessed on 17 April 2022).

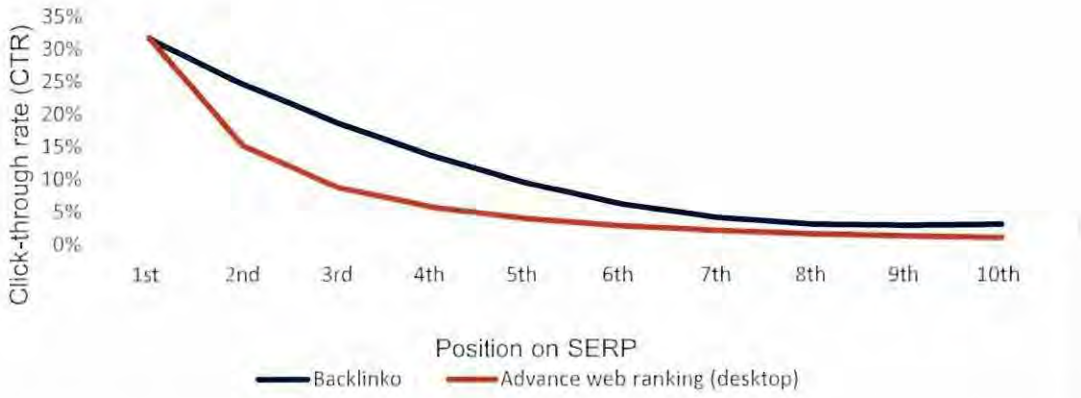
[484] Dean, B. (2019). We analyzed 5 million Google search results. Here's what we learned about organic click through rates. Available online: https://backlinko.com/google-ctr-stats (Accessed on 17 April 2022).

[485] Note that the Market Inquiry requested average rank data for paid text ad search, however platforms were not able to furnish the Inquiry with this data but did provide organic rank data. Furthermore, data provided by Google and data found in online sources relates to organic CTR's. As such the Inquiry is using organic results to demonstrate rank positions and their relationship with CTR's.

[486] However, this depends on where you're moving from and to. Moving from position 3 to position 2 will usually result in a significant CTR boost. However, moving from position 10 to position 9 doesn't make a statistically significant difference.

their corresponding rank position from two different source, namely: Backlinko[487] and Advanced Web Ranking[488].

Figure 15: Rank and CTR's across a broad set of queries

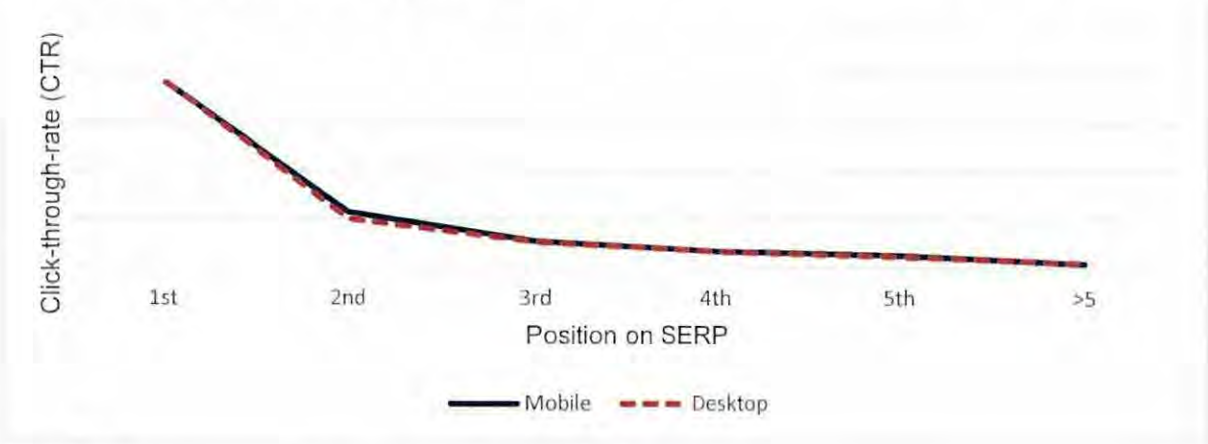


Source: Backlinko (2019) and Advanced Web Ranking (2022) - International rankings (desktop) for March 2022.

116. As illustrated above, ranking first drives approximately 32% of traffic and the CTR's drop off significantly as one moves down the SERP. This is more pronounced for travel and accommodation queries in South Africa where the first result attracts a higher CTR and there is a significant drop off for the second result. An assessment of data provided by Google indicates this[489] and it is shown by **figure 16** below. The data also demonstrates that CTR's for mobile and desktop follow each other closely[490], and as one moves down the SERP the CTR's become low. According to SafariNow, this is because the further down the page the result appears, the lower the consumer trust in the click will be.[491]

[487] Dean, B. (2019). We analyzed 5 million Google search results. Here's what we learned about organic click through rates. Available online: https://backlinko.com/google-ctr-stats (Accessed on 17 April 2022).
[488] Advanced Web Ranking (2022). Google Organic CTR History. Available online: https://www.advancedwebranking.com/ctrstudy/ (Accessed on 17 April 2022).
[489] Data submitted by Google displays a higher CTR for the first position following a travel query in South Africa at [redacted] this drops off significantly to [redacted] on average *(Google WS3d, Annex 4.3 "Travel")*
[490] This follows a [redacted]
[491] SafariNow, OS, p.4

Figure 16: Rank and CTR's across various travel and accommodation queries in South Africa, February 2021-January 2022



Source: [redacted]

117. Many platforms raised the importance of the fold and getting visibility above the fold. The fold relates to search query results that are visible on the screen (desktop or mobile) before one scroll's down[492]. While one cannot attribute a large drop-off in traffic because of being below the fold, it appears that moving from first to second ranked position results in a significant drop-off in traffic in any case.[493]

118. Another factor that can impact where links are placed and average CTR's, are the Google SERP features such as their "commercial immersive" (e.g., the Travel Unit or local business units), videos and image results, "People Also Ask" box etc. are also well positioned along the vertical[494]. The presence of these SERP features can impact CTR's of search results despite these results occupying the same position on the SERP[495]. This is because SERP features occupy space along the SERP which can either push down results below the feature or attract

492 [redacted]
493 [redacted]

494 The vertical is the text area that runs from top to bottom. The card relates to the area on the side of the vertical that is normally present on desktop searches. Mobile devices are smaller and therefore typically do not have space available on the side of the vertical, and based on observation, most desktop searches do not appear to have content on the side of the vertical.

495 Advanced Web Ranking has a free tool that shows how the SERP Features affect CTR's in the US. For example, for a desktop search such as "hike Yosemite", the result might generate a "People also Ask" in the middle of the SERP and Videos at the bottom which changes the CTR's for the organic results. For example, for March 2022, the aforementioned SERP features accounted for 24.8% of the page, where the "People also Ask" feature occupied an average 3.4 position and the videos an average 9.3 position on the SERP.

clicks itself[496]. This is relevant because users scan the SERP from top to bottom, ceasing to scan when they identify a result they want to click on.[497]

The importance of size

119. The size of a result matters where a larger result is likely to attract a higher CTR *ceteris paribus*. On average paid search results appear to have become larger over time where in some cases only one paid ad result currently appears above the fold for mobile and desktop searches[498]. Often one would find a paid ad search result with sub links which push the remaining results further down the SERP. It also appears that organic search results can often be smaller than paid search results[499]. Furthermore, one can also observe the correlation that size has on CTRs in relation to Google's travel units. For example, the Google Hotel Ads unit in the SERP is larger than the Google Flights unit, where both typically appear as the first organic result, but the larger Google Hotel Ads result has a higher CTR than the Flight Unit[500] [501].

The importance of display

120. The way results are displayed on the SERP is likely to be important for drawing consumer traffic. Displays include images, colours, favicons[502], how ads are displayed, maps, etc. Platforms have made issue with the fact that (i) Google's Travel Unit is afforded a rich colourful display with many pictures[503] whereas competing platforms are not afforded the same display (ii) that the text ad "Ad" labels have become less prominent where background and text colours typically

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[496] For example, Google's Travel Unit and video results attracts clicks. The latter redirects users to Youtube which is also owned by Google's parent company, Alphabet. These features also serve to keep users in Google's ecosystem which it further monetises. For example, display and video (i.e., Youtube) accounted for [redacted] of Google's travel revenues worldwide in 2019. (Own calculations from Annex 11.1, p.5, Google, WS2a).

[497] Google Inside Adwords. Available at: https://adwords.googleblog.com/2011/11/new-ad-placements-on-search.html [accessed on 12 July 2022].

[498] See Annexure A and B addended to this Report that demonstrate this (only one paid search result above the fold) for the desktop search "accommodation Durban" and the mobile search "accommodation Knysna". Screenshots taken at 100% Zoom.

[499] See Annexure C to this Report. The organic search results below the Hotel Ads Unit appear substantially smaller than the paid ad at top of the results.

[500] [redacted] (Own calculations from Google WS2c, Annex 5.1). While the Hotel Ads Unit had a CTR that was [redacted] higher than the Flights Unit on average, the CTR-to-size ratio was [redacted] for the Hotel Ads Unit and [redacted] for the Flights Unit, suggesting that were the travel units the same size, the Hotel Ads Unit would only have a CTR that is [redacted] higher than the Flights Unit. This suggests that size is likely to explain some of this variance in the CTR.

[501] Other features such as display, or usefulness of the respective travel units to the user could also possibly explain the difference.

[502] A favicon, short for favourite icon, is the icon that represents a website. For example, the favicon for Internet Explorer is

[503] [redacted]

setting text ads apart are no longer present[504] and (iii) that favicons have been placed in organic searches which confuse users between paid ads and organic results[505]. The Inquiry is of the view that how organic results are displayed vis-à-vis text ads and Google's Travel Unit is likely to impact CTR's. This will be explored further in the next section.

3.1.3. Google's SERP and changes over time

121. This section demonstrates how the Google's SERP, particularly the first SERP, has changed over time. More specifically it shows how (i) paid search results have become less distinguishable from organic search results, (ii) paid search results appear to have become larger in size in absolute terms and are relatively larger than organic search results at times[506], (iii) the number of paid search results at the top of the SERP have increased over time (iv) there has been an increase in SERP features including Google's Travel Unit, (v) Google's own SERP features are not clearly marked as Google's own product (vi) organic search results are being pushed further down the SERP, largely due to an increase in SERP features and larger and more paid search results, (vii) fewer third party organic results are shown in the first SERP and a (viii) large portion of the first SERP belongs to Google.

Changes in the display of paid search results over time

122. The display of paid search results has changed over time. Prior to 2007 paid search results were displayed with a blue background that a user could click on in order to reach an advertiser's landing page[507]. [redacted]

[504] [redacted]
[505] Submission by several platforms. [redacted]
[506] See Annexures A to C of this Report.
[507] Google. Two changes to how top ads are displayed. Available at: https://adwords.googleblog.com/2007/04/two-changes-to-how-top-ads-are.html [Accessed 12 July 2022].
[508] [redacted]

[redacted]

123. The number of paid search results have also increased at the top of the SERP. Before 2016, Google allowed a maximum of eleven text ads on the SERP, either three top ads plus eight Right Hand Side ("RHS") ads or three bottom ads and eight RHS ads[511]. In 2016, Google [redacted] and increased the maximum number of top ads from three to four[512], which impacted several platforms[513]. This was due to the many cases that Google had found, that displaying ads below search results fits better into the users' flow as they scan from the top to the bottom of the page.

124. Today, the "Ad" label is black without a border on a white background following changes to text ads on 22 May 2019 for mobile results[514] and in January 2020 for desktop results[515]. Several platforms have indicated that this move has adversely impacted them and consumer choices more broadly[516]. The major concern raised is that the current display of Google's paid search results confuses users as they are presented in such a way that it is not easy to distinguish between a paid ad and an organic result[517]. This plays heavily into Google's favour as consumers click on paid results instead of organic results, due to the confusion, and has led to an increase of traffic acquisition costs for all travel market players[518]. **Figure 17** below illustrates how these paid results have changed, more specifically (i) black "Ad" label replaces the green

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509 [redacted]

510 [redacted]

511 [redacted]

512 Kenwright, S (2016). How 4 PPC ads at the top affected organic CTR on mobile devices. Available at: https://edit.co.uk/blog/mobile-ctr/#:~:text=When%20did%20Google%20start%20showing,Google%20also%20scrapping%20sidebar%20ads. [accessed 12 July 2022].

513 For example, a small travel platform notes that when Google moved from 3 to 4 paid-for results above the fold, this was killer for the platform as its organic search results were pushed down the SERP and paid search became too expensive, limiting its ability to drive consumer traffic. [redacted]

514 [redacted]

515 [redacted]

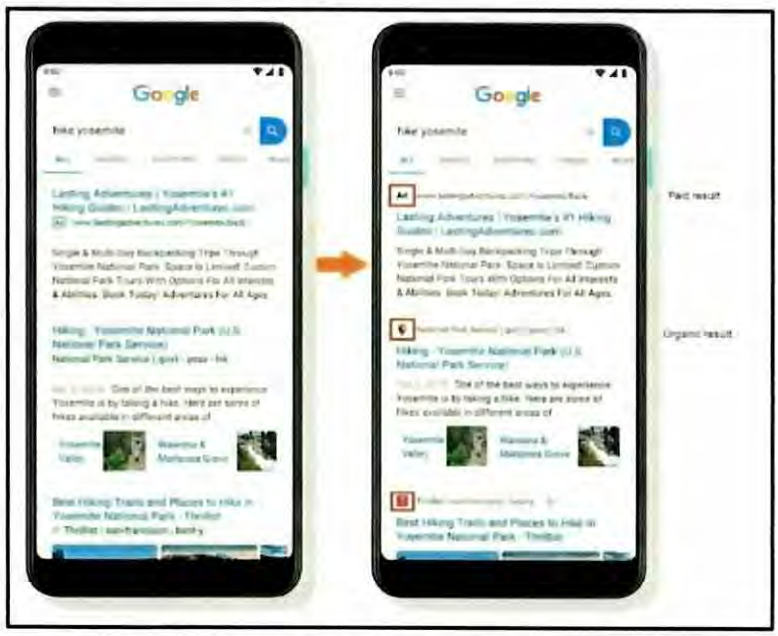
516 [redacted]

517 SafariNow OS, p.6; [redacted]

518 SafariNow OS, p.6; [redacted]

outlined label; (ii) the label now appears at the top of the ad along with the display URL also in black text; (iii) the organic listings are getting a new favicon treatment which mimics the "Ads" icon[519], marked in red boxes; and (iv) Google has also removed the grey line below the organic titles and ad headlines so each card looks more like a single unit[520]. While the favicons have been removed for desktop search results, they are still present in mobile search results[521].

Figure 17: Changes in paid search results, May 2019



Source: Marvin, G. (2019). Google rolling out mobile search redesign with black "Ad" label, favicons for organic results. Search Engine Land.[522]

125. In 2002, the Federal Trade Commission's ("FTC's") Bureau of Consumer Protection published a letter in 2002 advising search engines about the potential for consumers to be deceived, in violation of Section 5 of the FTC Act, unless search engines clearly and prominently distinguished advertising from natural search results[523]. In 2013, the FTC sent search engines a letter noting that "*in recent years, the features traditional search engines use to differentiate*

519 [redacted]

520 [redacted]

521 Statt, N. (2020). Google is backtracking on its controversial desktop search results redesign. Available at: https://www.theverge.com/2020/1/24/21080424/google-search-result-ads-desktop-favicon-redesign-backtrack-controversial-experiment (Accessed on 26 April 2022)

522 Available at: https://searchengineland.com/google-rolling-out-mobile-search-redesign-with-black-ad-label-favicons-for-organic-results-317328 (Accessed on 26 April 2022)

523 FTC, (2013). Sample Letter to General Purpose Search Engine. Available at: https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-consumer-protection-staff-updates-agencys-guidance-search-engine-industryon-need-distinguish/130625searchenginegeneralletter.pdf (Accessed on 26 April 2022).

advertising from natural search results have become less noticeable to consumers, especially for advertising located immediately above the natural results ("top ads"). Indeed, a recent online survey by a search strategies company found that nearly half of searchers did not recognize top ads as distinct from natural search results[524]". Furthermore, the FTC recommended visual cues that "*in distinguishing any top ads or other advertising results integrated into the natural sea*rch results, search engines should use: (*1) more prominent shading that has a clear outline; (2) a prominent border that distinctly sets off advertising from the natural search results; or (3) both prominent shading and a border*"[525]. Furthermore, it also recommended that the Text Ads should have a text label that clearly and unambiguously marks paid search as adverts[526]. It appears that these recommendations have been ignored.

126. The change in display of paid and organic search appears to have adversely impacted organic search results. One of the prominent platforms demonstrated how the change in the display significantly reduced the proportion of the organic clicks (of overall clicks) it receives as well as the reduction of its respective organic click-through-rate ("CTR")[527]. The Inquiry sought to determine the impact that the change in the desktop display (i.e., understood to have taken place on 13 January 2020[528]) had on overall organic traffic using Similarweb data[529]. When assessing organic desktop traffic as a percentage of total search traffic (i.e., paid + organic) for the month preceding the desktop SERP change and the month following it, the proportion of organic traffic across 60 different travel and accommodation platforms decreased by 1.7%[530]. To factor in seasonal changes in relation to the organic proportion of total traffic, with high

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[524] FTC, (2013). Sample Letter to General Purpose Search Engine. Available at: https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-consumer-protection-staff-updates-agencys-guidance-search-engine-industryon-need-distinguish/130625searchenginegeneralletter.pdf (Accessed on 26 April 2022).

[525] FTC, (2013). Sample Letter to General Purpose Search Engine. Available at: https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-consumer-protection-staff-updates-agencys-guidance-search-engine-industryon-need-distinguish/130625searchenginegeneralletter.pdf (Accessed on 26 April 2022).

[526] For example, the text label should *"(1) use language that explicitly and unambiguously conveys if a search result is advertising; (2) is large and visible enough for consumers to notice it; and (3) is located near the search result (or group of search results) that it qualifies and where consumers will see it.*"

[527] [redacted]

[528] Drummond, D. 2020. New Google Ads style rolled out for 2020. Morphsites. Available at: https://www.morphsites.com/help/new-look-google-ads [accessed on 26 April 2022].

[529] Similarweb does not have separate estimates for organic and paid traffic for mobile. As such only desktop was assessed. It must be noted desktop search results do not contain favicons, so the alleged confusion in this regard pertains to mobile search.

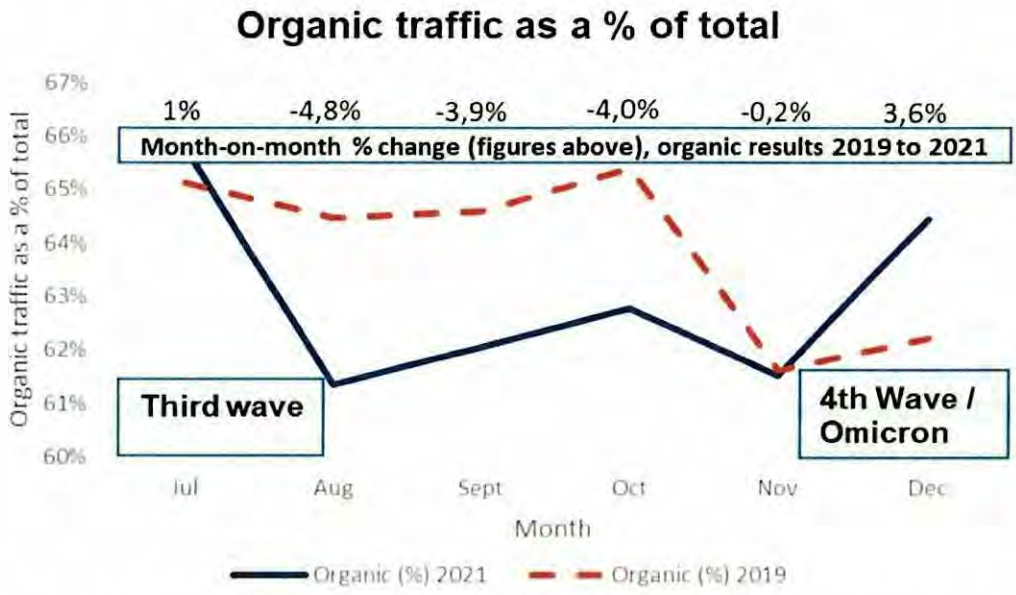
[530] Own calculations using Similarweb data.

season driving a higher proportion of paid search traffic[531], the Inquiry also compared the six months preceding the SERP change (July to December) and the same six months two years later in 2021[532].

127. **Figure 18** below demonstrates this comparison across the 60 platforms. Like with the previous calculation, the proportion of organic search results decreased by 1.6% for the same months between 2019 and 2021. However, in July 2021, South Africa was still in the 3rd wave of the pandemic and in December 2021, South Africa faced a 4th wave and numerous travel bans as a result of the Omicron variant. When one excludes these two months, the proportion of organic traffic decreases by 3.2% from 2019 to 2021 respectively for August to November of each year. The Inquiry's assessment seems to indicate that there has been a decrease in the relative proportion of organic traffic vis-à-vis the proportion of paid traffic following Google's desktop SERP change in January 2020. This is demonstrative of one SERP change, but as this section has articulated, there have been several changes since 2002.

[531] The argument is that higher demand for travel increases competition for travellers using paid search thereby increasing the proportion of paid search traffic. One observes this in 2019, where the proportion of paid search traffic increases from 34.9% in July to 38.4% in November, just before the summer holiday season (Own calculation across 60 travel and accommodation platforms using Similarweb data). The argument is that the change takes place towards the tail end of the summer holidays, had one adjusted for seasonality the decrease in organic traffic would have been larger than 1.7%.
[532] Given the impact of covid on travel in 2020, the comparison was done for 2021.

Figure 18: Organic search results, organic traffic as % of total (paid + organic) traffic, 2021 vs 2019.



Source: Paid and organic desktop search data collated across 60 travel and accommodation platform domains using Similarweb.

Changes in SERP features over time

128. Over time the SERP has changed to include several SERP features such as Google's Travel Unit including: the Hotels Unit, which was introduced to South Africa sometime in 2015, and the Flights Unit and Holiday Rentals Unit was introduced later on[533]. [redacted], however, the Flights Unit typically changes in size[535]. Notwithstanding this, both the Hotel Units and the Flights Unit, occupy a significant portion of the first SERP with the Hotel Unit being the biggest by a significant margin[536]. Furthermore, other SERP features appear including "people also ask", images, local business units, links to YouTube videos, etc. These additional SERP features also take a considerable amount of

[533] Vacation or holiday rentals was introduced in the UK in March 2019 (See CMA, 2020. Online platforms and digital advertising. Appendix P. p.58.)
[534] [redacted]
[535] Google, OS, p. 26.
[536] For example, the Hotel Unit was [redacted] the size of the desktop and mobile SERP respectively on average, and the Flight Unit was [redacted] the size of the desktop and mobile SERP respectively on average. (Google, WS2b, Table 7)

space, and often push down organic search results as they are blended in with organic search results and they are typically positioned before, after and in between organic search results[537]. Again, these SERP features are likely drawing attention away from the organic results.

129. In its market study, the CMA (2020) notes that "*Google has introduced a range of richer results on its search engine result pages (SERPs), such as 'One-Boxes' that induce the users to 'find their answers directly on Google' instead of being directed to a third-party website. As part of this, Google has introduced 'One-Boxes' that link to its own specialised search websites*[538]. *Notable examples include shopping, news, local search, travel and jobs*[539]". These SERP features appear to be designed to introduce another layer of advertising. For example, the "local search unit" for businesses following a query, say for a car rental, also has further advertising embedded once one enters the local search unit by clicking on it[540]. Also clicking on a YouTube video recommended by Google shows adverts that are also monetised by Alphabet, the holding company of Google[541]. It appears that Google currently and in increasing magnitude over time included its own content on the first SERP. A study by The Markup (2020) found that approximately 41% of the first SERP was devoted to Google's product after assessing over 15,000 queries. Most of Google's product was concentrated at the top of the SERP, with the top 15% of the page, the equivalent of the first screen on an iPhone X, accounting for 63%. For one in five searches in their sample, links to external websites did not appear on the first screen at all[542].

Changes in organic search results over time

130. A frequent criticism of Google's Travel Unit, local search units and other SERP features is that Google has used these to push organic search results further down the SERP where they acquire less user traffic[543]. This has been done in conjunction with the introduction of more paid

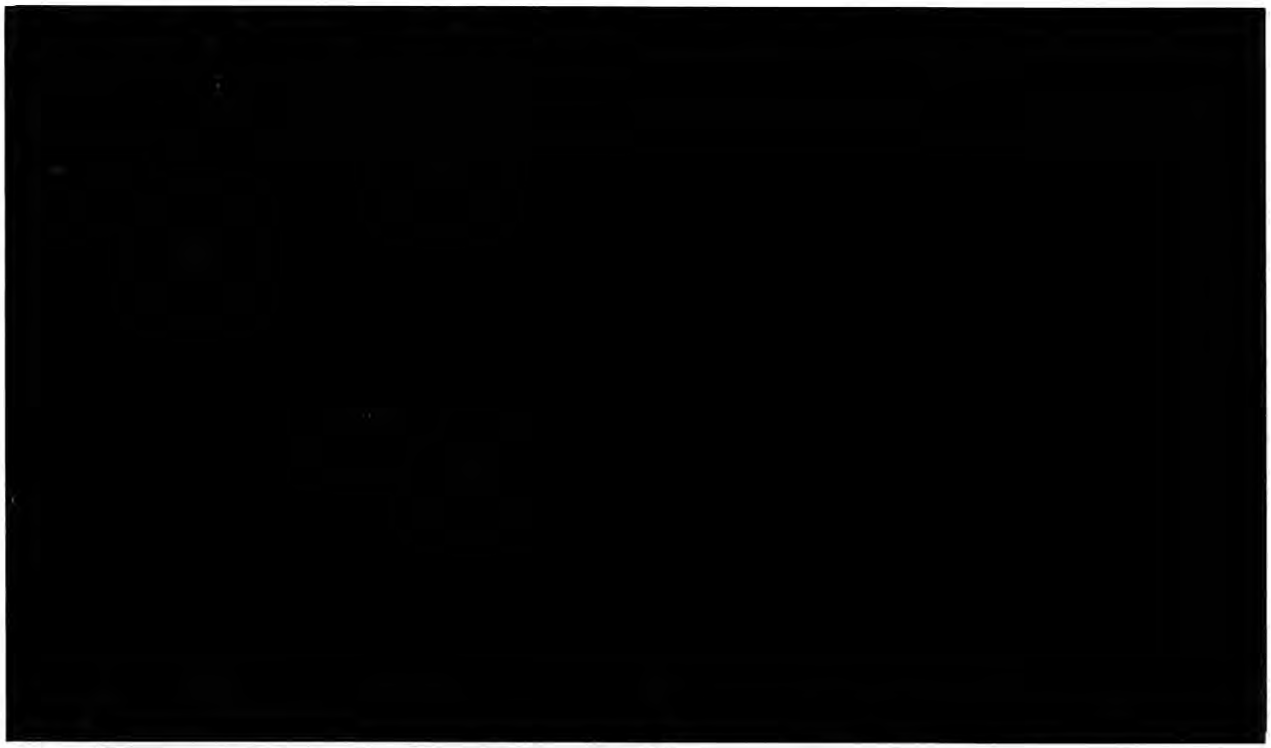
[537] Based on own observations.
[538] One-boxes refers to the Travel Unit or local business units.
[539] CMA. 2020.Online platforms and digital advertising. Para 3.129
[540] For example, a sponsored "Ad" features at the top of the list of business results with their locations on a map adjacent the listed results. Again, like the Travel Unit, the local search unit appears to be the first organic search result on the SERP. (See Google Ads Help. About Local Search Ads. Available at: https://support.google.com/google-ads/answer/3246303?hl=en (Accessed on 27 April 2022).
[541] Alphabet made $19.77bn in 2020 from Youtube advertisements. (See Alphabet 10-K filing at the SEC for the year ended 31 December 2020, p.33, available at: https://abc.xyz/investor/static/pdf/20210203_alphabet_10K.pdf?cache=b44182d [accessed 12 July 2022]). .
[542] Jefferies, A & Yin, L. (2020). Surprise! It's Google. *The Markup*. Available at: https://themarkup.org/google-the-giant/2020/07/28/google-search-results-prioritize-google-products-over-competitors (Accessed on 27 April 2022) Also see: https://themarkup.org/google-the-giant/2020/07/28/how-we-analyzed-google-search-results-web-assay-parsing-tool
[543] Expedia, OS, p.28; TS, OS, p.15; eDreams, OS, p.7; and other platforms [redacted]

search results at the top of the SERP. In some cases, Google's colourful displays, sometimes in between organic search results, also divert user attention away from organic search results. **Figure 19** below demonstrates how the SERP has changed over time where in 2000 a fewer number of (distinctively marked) paid search results were shown and there were significantly more organic results higher up in the SERP (which required less scrolling down). From 2018 onwards, paid search results, followed by Google's Hotel Unit has taken up a large part of the top of the SERP, and the first organic results are found far down the page. Pushing organic search results further down the SERP benefits Google in two ways, namely (i) it diverts traffic to its own product where it has another stab at generating advertising revenues[544] and (ii) it pushes businesses to spend more on paid advertising to secure the lucrative top of the SERP results which drive the most traffic[545] (as the lower down organic results drive significantly less traffic).

[544] Submission by several platforms [redacted]

[545] [redacted]

Figure 19: Changes in Google's SERP over time



Source: [redacted]

131. Lastly, the Inquiry has observed that the number of organic results following a search is less than 10 on occasion. For example, as observed in **Annexure D**, only 8 organic search results appear following an "accommodation Pretoria" query. This contrasts to the notion that Google normally produces 10 organic search results on the first SERP[546]. Kim (2021) estimates that recently there was a 30% reduction of organic listings (i.e., dropping the number of organic listings on the first SERP from 10 to 7) on 18.3% of SERPs, approximately equals wiping out 5.5% of all first page organic listings. Kim (2021) further demonstrates that Google applied this drop in organic results sometime between 12 and 14 August 2021, where the number of organic search results less than 10 accounted for roughly 2% of SERPs preceding this date and this jumped to roughly 18% after this date[547]. The Inquiry analysed data submitted by Google across five categorical and five navigational searches during 2021 and found that the average number

[546] Google, OS, p.25.
[547] Kim, L. 2021. Google SERP Dumps 5.5% of Organic First Page Listings. *WordStream*. Available at: https://www.wordstream.com/blog/ws/2012/08/21/new-google-serp#:~:text=You%20may%20have%20noticed%20recently,just%207%20organic%20search%20listings (Accessed on 28 April 2022).

of organic results per query was slightly lower than 10 for categorical searches and significantly lower than 10 for navigational searches in travel and accommodation[548].

Box 1: Key findings on the evolution of Google's SERP

Since 2000 until recently Google's search engine results page ("SERP") has evolved significantly in the following ways:

- Google has increased the number of paid search results at the top of the SERP and for many searches significantly increased the size of the first result, sometimes occupying the entire space above the fold.
- Google has reduced distinctive labelling of adverts over time by removing clearly shaded backgrounds and blending the appearance of paid search results with organic search results, for example, including favicons in mobile organic results.
- Google has introduced its own SERP features such as its Travel Unit, local business units, Youtube results, the "People Also Ask" feature etc. which generally occupies a significant, and often a lucrative, portion of the SERP. Furthermore, it does not clearly mark its SERP features as products (or verticals) of its own.
- It appears Google is actively reducing the number of organic search results on the SERP.

The evolution of Google's SERP over time has had the effect of:

- Pushing organic search results further down the SERP or off the SERP altogether.
- Blurring the distinction between paid and organic search traffic, as well as its own downstream verticals. This is likely to have an impact on consumer search behaviour and subsequently competition on the SERP (discussed in more detail later).

3.1.4. Unparalleled advantages that Google has in travel

132. Google is likely to benefit from user data that cannot reasonably be replicated by its direct downstream competitors for the provision of leads, metasearch sites, and its indirect competitors such as OTAs which are increasingly dependent on leads that Google generates (discussed later)[549]. Google by virtue of its preloaded Android operating system on numerous smartphones, being a default search engine and having a monopoly in Search, through its apps

[548] [redacted]

[549] This is notwithstanding the fact that Google is in direct competition with both OTAs and metasearch sites for lucrative space on the SERP.

such as Chrome, assessing video searches on YouTube, and having access to a user's location through Google Maps (i.e., the most downloaded app in the travel category in 2021[550]), access to payment information through Google Pay, setting the terms and conditions for apps that are downloaded through Google Play, and having the ability to garner data from users who use Gmail - Google can use its portfolio of products to envelop users and collect data on them[551] in a way that cannot be replicated or contested[552] by its competitors in search and in travel. For example, Travelstart notes that Google "*has built its network to get more and more information about its customers, it can provide more and more qualified leads*"[553]. Google also collects data about browsing behaviours or preferences that platforms cannot[554]. Another OTA notes that websites and apps share information with Google when they integrate with its services[555]. It has been noted that Google has an advantage in its ability to track and understand data.[556] It has also been noted that it has a biased request for tracking consent in Android apps[557]. According to a report by Skift, offerings by different Google products were mapped to show that Google is able to tie together data from across the entire travel journey in ways that few others can, stating that "*Not only does [Google] have a deep vertical reach, but it can pull in web browsing behaviour from non-travel activities. This is a powerful competitive advantage that few can replicate and explains the company's business dominance*".[558] Vu (2020) notes that: "*Google's data advantage gives it the power to suggest destinations and brands, tailored to traveller search history, preferences and past itineraries. Armed with that intelligence, Google can then either promote its content over such rivals or sell that data to advertisers*[559]"

133. Competing domains may further be disadvantaged by Google which is alleged to block third-party cookies.[560] As part of Google's Privacy Sandbox strategy, Google Chrome's support of

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[550] Schaal, D. (2022) Google Maps Tops in 2021 as Most-Downloaded Travel App. *Skift*. Available at: https://skift.com/2022/01/10/google-maps-tops-as-most-downloaded-travel-app-in-2021/ (Accessed on 27 April 2022).

[551]

[552]

[553] Travelstart, OS, p.14

[554]

[555]

[556]

[557]

[558] Skift

[559] Vu, J. 2020. Globetrotting in a Google Run World: Google Takeover of Travel Market Risks Stifling Competition and Consumer Experience, *Harvard Journal of Law & Technology. Dig.* Page 4. Available online: https://jolt.law.harvard.edu/digest/globetrotting-in-a-google-run-world-google-takeover-of-travel-market-risks-stifling-competition-and-consumer-experiences (Accessed on 31 March 2022).

[560]

third-party cookies will stop by the end of 2023.[561] Third-party cookies, in Google Chrome and in other browsers collects personal data from consumers, where websites need to obtain prior and explicit consent from users to do so.[562] Without cookies, platforms will not be able to process customer data in order to send marketing newsletters and advertise similar products to customers who have either consented or who have not withdrawn consent, and as such could make platforms dependent on Google.[563] The CMA has secured commitments from Google to address competition concerns about Google's proposal to remove third-party cookies on Chrome.[564]

Google unfairly uses third party content to develop its travel product

134. Google appears to use competing travel and accommodation sites to develop its own travel product, occasionally by scraping their websites or without obtaining their consent.[565] TechCrunch (2020) notes that it has heard complaints from multiple sources in online travel that range from Google forcing its own data standards on ad partners to Google unfairly extracting partner data to power its own competing products on the cheap[566]. For example, Techcrunch cites GetYourGuide stating that "*Google tries to … get [travel startups'] content and our data in order to create new competitive products on Google.*" This is frustrating for the platform because an activity will be found on Google's "Things To Do" unit and not on GetYourGuide's own page where the order is fulfilled[567]. Vu (2020) notes that short-term lodging providers such as Airbnb face the same threats of data scraping that Google rivals Yelp and

[561] Shankland, S. 2021. Google delays Chrome's cookie-blocking privacy plan by nearly 2 years. *CNET.* Available at: https://www.cnet.com/tech/computing/google-delays-chromes-cookie-blocking-privacy-plan-by-nearly-2-years/ (Accessed on 27 April 2022).

[562] Cookiebot., (2022). Google ending third-party cookies in Chrome. Available at: https://www.cookiebot.com/en/google-third-party-cookies/#:~:text=Third%2Dparty%20cookies%2C%20in%20Chrome,your%20users%20to%20do%20so. (Accessed on 12 April 2022)

[563] Available at: https://www.engadget.com/googles-latest-privacy-sandbox-cookie-replacement-approved-by-uk-regulator. (Accessed on 12 April 2022)

[564] CMA (2021). CMA to have key oversight role over Google's planned removal of third-party cookies. Available at: CMA to have key oversight role over Google's planned removal of third-party cookies - GOV.UK (www.gov.uk) (Accessed on 27 April 2022)

[565] For example [redacted]

[566] Lomas, N. (2020). Travel start-ups cry foul over what Google's doing with their data. Available at: https://techcrunch.com/2020/08/14/travel-startups-cry-foul-over-what-googles-doing-with-their-data/ (Accessed on 27 April 2022)

[567] Lomas, N. (2020). Travel startups cry foul over what Google's doing with their data. Available at: https://techcrunch.com/2020/08/14/travel-startups-cry-foul-over-what-googles-doing-with-their-data/ (Accessed on 27 April 2022)

Tripadvisor complained of previously vis-à-vis Google's Holiday Rentals unit.[568] The Markup (2020) notes that Google also scrapes websites without explicit permission, a practice it has defended by arguing the "fair use" exemption to copyright laws and noting that websites can opt out of inclusion in featured snippets while remaining in the search index for other results[569].

135. Upon reviewing Google's travel strategy documents, the Inquiry finds that it is part of Google's strategy to use third party content to develop some of its own products[570]. The concern with Google using third-party content without prior consent or by unfairly extracting partner data[571] is that (i) online intermediaries have invested significantly in establishing relationships with service providers, (ii) Google's own product is shown favourably on the SERP, (iii) online intermediaries have to depend on Google to generate leads which they ultimately fulfil anyways, (iv) the branding of online intermediaries is prejudiced as their own website could easily be shown on the SERP absent Google's Travel Unit, and (v) the user experience is undermined as they often do not see the full service offering of the online intermediary, and Google's product does not always show the cheapest or most accurate information (discussed in the next section).

Box 2: Key findings on the unparalleled advantages Google has in travel

Google has unparalleled advantages in travel given that Android is preloaded on most devices, Chrome has default status on most devices, it has a monopoly in search, and has a portfolio of applications such as Maps, Youtube, Gmail and Google Pay which it can leverage to attain user data unparalleled by any other tech travel company. Access to this data gives Google the power, particularly at the upper end of the consumer journey funnel, to suggest tailored destinations and brands, by using the consumers search history, preferences, past itineraries, etc.

[568] Vu, J. 2020. Globetrotting in a Google Run World: Google Takeover of Travel Market Risks Stifling Competition and Consumer Experience, *Harvard Journal of Law & Technology. Dig.* Page 9. Available online: https://jolt.law.harvard.edu/digest/globetrotting-in-a-google-run-world-google-takeover-of-travel-market-risks-stifling-competition-and-consumer-experiences (Accessed on 31 March 2022).

[569] Jefferies, A & Yin, L. (2020). Surprise! It's Google. The Markup. Available at: https://themarkup.org/google-the-giant/2020/07/28/google-search-results-prioritize-google-products-over-competitors (Accessed on 27 April 2022)

[570] [redacted]

[571] For example, such as a "take it or leave it" arrangement.

Furthermore, Google can use these advantages to develop its own products in a way that it is not replicable by any of its downstream rivals and is known to scrape data from its rivals to develop its own product.

3.1.5. Profiteering and rising spend on Google

Organic search as a constraint and harm of rising paid search spend

136. Google Search faces little competition by way of alternative general search engines and these do not offer any significant constraints on Google Search[572]. However, based on evidence and engagements with stakeholders, the biggest constraint limiting Google's ability to profiteer appears to be the ability to constrain paid search and limiting the flow of user traffic to Google's own products in the downstream verticals. In other words, the presence of organic search results near or at the top of the first SERP, including fair display and prominence, is likely to offer a more significant constraint on Google's ability to profiteer off its text ads and products. As demonstrated earlier in this section of the Report, Google has unilaterally been able to (i) increase the number of paid adverts at the top of the SERP over time, (ii) introduce its own products in the downstream vertical such as its Travel Unit with attractive displays and a considerably large size, (iii) push down organic search results and reduce the overall number of organic search results on the first SERP and (iv) introduce displays that blur the differentiation between text ads and organic search results, which are likely to confuse users between the two types of results. Furthermore, Google's algorithms for organic results appear to be continually changing[573] which can also result in a rise in acquisition costs[574]. Therefore, in order to make up for the loss of organic traffic, online intermediaries must increase their ad spend with Google, which in turn increases their cost of customer acquisition and therefore increases distribution costs, impacting the commissions paid by hotels[575].

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[572] For example, the CMA's in-depth analysis of Google and Bing's search prices suggest that Google's prices are 30-40% higher on desktop and mobile when comparing like-for-like search terms. CMA. 2020.Online platforms and digital advertising. para.10.

[573] For example, Google made more than 3500 updates in Search in 2019. Google, OS, presentation p.6 - 9.

[574] The mechanics behind the increase in acquisition costs is as follows: Google changes its algorithm; the domain operator must constantly update and reorganize its search engine optimization. This may be resource intensive and as such some domain operators may simply opt to pay for more visible text ad results rather than invest time and energy to adapt to the new algorithm change. Ultimately this benefits Google. Based on engagements with numerous stakeholders and review of platform annual statements. [redacted]

[575] [redacted]

137. There are three major theories of harms that have an impact on consumer welfare and on competition that arise from the high and increasing costs of paid search spend. Namely: (i) raising the cost of online distribution of travel and accommodation services indirectly increases prices on consumers, (ii) it distorts competition in the downstream travel and accommodation vertical where paid search raises barriers to expansion to small platforms vis-à-vis established platforms, and (iii) margins made by OTAs is being captured by Google, limiting their ability to reinvest.

137.1. In delineating the harm of increasing Ad spend, the CMA notes that Google's market power in digital advertising markets can lead to higher costs of digital advertising, which is then passed through as higher costs of goods and services that use digital advertising.[576] Although Google's core services can be accessed by consumers at no direct cost, consumers therefore nevertheless suffer financially from the exercise of market power. Consumers are harmed because one would expect these increased advertising costs to be passed through to consumers, as businesses need to recoup their advertising input costs, even if the downstream market is highly competitive[577]. This is particularly likely in the markets which make heavy use of advertising, since the majority of the firms in those markets tend to incur such advertising input costs, like that of the online travel and accommodation sector.

137.2. Secondly, as discussed in Section 2.5.2 of the Report, several smaller domestic online travel platforms have noted that search engine marketing costs are major barrier to expansion i.e., one has to "pay to play"[578]. Again, *ceteris paribus*, the ability to garner user traffic and acquire new customers comes down to who spends the most on Google Search i.e., it favours travel platforms with the deepest pockets which is often the established platforms. As such competition amongst online travel and accommodation intermediation platforms is likely to be distorted because small platforms cannot reasonably spend as much as larger platforms on Google Ads (discussed in more detail later in the Report).

[576] CMA. 2020.Online platforms and digital advertising. para 6.15
[577] CMA. 2020. Online platforms and digital advertising. para 6.19 – 6.20.
[578] SafariNow, OS, p.4.

137.3. Lastly, margins made in the online travel sector are being reallocated to the online advertising sector[579], where the major player in the advertising sector is not even South African. Considering that online platforms are effectively paying Google to acquire customers, Google effectively becomes an overpriced lead generator[580] and provides little added value to its advertisers other than being a starting point for general search. By having a significant portion of OTA margins captured by Google Ads, OTA's have less profits to reinvest into innovations and improvements of their platforms. Furthermore, OTA's effectively offer specialised search engine services and a major reduction in their margins is likely to limit their ability to be a competitive threat to Google in both its downstream Travel Unit and its upstream general search service.

A model for profiteering and rising paid search spend: data and evidence

138. Economic theory would suggest that a monopolist selects a price and volume that maximises its profits, and this would typically occur where marginal cost equals marginal revenue. The profit maximising price and volume combination can change over time where there have been changes in supply and demand, notwithstanding changes in competitive dynamics. In travel there has been a shift to booking online and this has coincided with the penetration of smartphones (see Section 1.2.2 of the Report) as such the demand for online travel and accommodation booking services have increased over time. One would argue that Google aims to maximise its bid amount (i.e. the maximum an advertiser is willing to pay per click) subject to a quality constraint that includes expected clickthrough rates, ad relevance, and landing page experience; and Ad Rank thresholds[581]. The quality constraint is necessary as bad user experiences may come at a cost to paid search results i.e., users may want to overlook paid search due to being associated with bad experiences[582]. Google employees at the time, called this "ad blindness"[583]. One can argue that a monopolist will continually set its SERP display that

[579] See TS, OS p.14- 17

[580] For example, the average cost per acquisition for new customers by OTAs (using Google) was R252 between 2014 and 2021 (calculated from submissions by 6 platforms).

[581] Google Ads Help. Ad Rank. Available at: https://support.google.com/google-ads/answer/1752122?hl=en#:~:text=Ad%20Rank%20is%20calculated%20using,device%2C%20time%20of%20search%2C%20the (Accessed on 28 April 2022). [redacted]

[582] A reiteration of bad experiences can lead to learned behavior to avoid something (Inquiry's own insight).

[583] Hohnhold, H.; O'Brien, D.; Tang, D. (2015). Focusing on the Long-term: It is Good for Users and Business. Available at: https://static.googleusercontent.com/media/research.google.com/en//pubs/archive/43887.pdf [Accessed 16 June 2022]

best approximates the level where maximum revenues are achieved with as little impact on bad user experiences as possible[584]. In economic terms, this is likely to be the level where marginal revenues of paid search equal the marginal cost of bad user experiences. Hohnhold et al. (2015), notes that Google runs over 1000 experiments on any day, and this can be used to to quantify user learning[585]. The authors developed a model to quantify long-term user learning and found that user satisfaction was paramount to avoid ad blindness, the inherent propensity not to click on or interact with ads. Avoiding ad blindness would generate long-term value for the monopolist (i.e., Google). The Inquiry is of the view that Google likely and frequently runs such experiments on ad blindness (delineated by Hohnhold et al.) and does this with the main purpose of maximising user engagement with ads and by extension its long-term revenues[586].

139. Considering that Google will have several bidders, each with a limited budget, for a particular keyword over a given period of time, all things considered, it is likely to maximise its revenues by attracting as much spend from each of the bidders by having the most expensive results clicked (price) multiplied by the largest quantity of clicks generated by a set of queries on average (this is known as the click-through-rate ("CTR")). Therefore, revenue can be calculated by multiplying cost-per-click ("CPC") (i.e., how much the click costs) by the CTR. This results in the cost-per-impression ("CPI") which a revenue maximising search engine seeks to maximise, illustrated in the formula below[587].

$$Max\ Revenue = CPC\ x\ CTR = \frac{cost}{\cancel{click}}\ x \frac{\cancel{click}}{impression} = \frac{cost}{impression} = CPI$$

140. The Inquiry sought to understand how CTR, CPC and CPI for paid search had evolved over time by obtaining a complete time-series containing impressions, clicks, spend, CPC and CTR

[584] Effectively the monopolist would try to avoid "ad blindness" which is the decrease in a user's likelihood of clicking on or interacting with ads based on a bad prior experience with ads through bad user experiences [redacted]

[585] Or to maximise profits after gaining insights into consumer heuristics.

[586] [redacted]

[587] [redacted]

data[588] from 2014 to 2021 for 9 online travel and accommodation platform intermediaries[589]. Table 10 below shows how these collective values have changed over time by benchmarking values for each year to its respective 2014 value. Over the period 2014 to 2019, the number of paid search clicks steadily grew by a factor of 5.6, the number of impressions by a factor of 2.4 and the amount spent by almost a factor of 5. As expected, these numbers dropped substantially following the pandemic, recovering somewhat in 2021.

Table 10: Changes in CTR's, CPC's, CPI's, impressions, clicks and spend for online travel and accommodation platform intermediaries, 2014 to 2021.

Annual benchmark to 2014	2014	2015	2016	2017	2018	2019	2020	2021
Impressions	1,00	1,22	1,66	1,79	1,83	2,36	1,09	1,19
Clicks	1,00	1,71	2,78	3,51	4,33	5,64	3,92	5,02
Spend	1,00	1,76	3,03	3,78	4,40	4,85	2,32	2,92
CTR's	1,00	1,40	1,68	1,96	2,37	2,39	3,59	4,21
CPC's	1,00	1,03	1,09	1,08	1,02	0,86	0,59	0,58
CPI's	**1,00**	**1,44**	**1,83**	**2,11**	**2,41**	**2,06**	**2,12**	**2,45**

Source: Commission's own (preliminary) compilation.

141. Interestingly CTR's for paid search results increased steadily by a factor of 4.2 between 2014 and 2021, and surprisingly increased by 49.8% in 2020 (from 2019), the year the pandemic started. The likely explanation for this increase in paid search CTR's, given that the number of paid search impressions had increased somewhat over the time series, is that each query is likely to have rendered more clicks on paid search results than organic search results. This observation is corroborated with the fact that the volume of paid clicks increased five-fold over the period. Therefore, this is likely to reflect Google's observed strategy, discussed previously, to drive more paid clicks on the SERP. CPC's have decreased somewhat over the period but at a much smaller magnitude than the increase in CTR's. All-in-all it is important to note that the rate at which Google maximises revenue, CPI's, had increased by a factor 2.45 over the period and together with the increase in the number of impressions, the amount of money that these online intermediation platforms spent on Google on an annual basis almost tripled.

[588] CPI data can be calculated using the aforementioned data.
[589] These figures follow separate submissions from each platform.

142. Globally spend on Google Search has increased rapidly over the years. According to Alphabet's publicly available Financial Statements[590], Search and Other grew by 113% from USD 69.81bn in 2017 to USD 148.95bn in 2021. This represents a year-on-year growth in revenues of 21% over the period, with the largest jump in revenues being 43% between 2020 and 2021. Google's net profits grew by 500% from USD 12.66bn in 2017 to USD 76.03bn in 2021, with an increase of 89% from 2020 to 2021. Google's overall revenues for 2021 was USD 257.64bn with a profit margin of 29.5%. Putting this into perspective Google's global 2021 revenues accounted for approximately 85% of South Africa's GDP for the same year.[591] In 2021, various key paid search metrics also grew globally from 2020[592]. The volume of impressions and paid clicks grew respectively at 2% and 23%, and the CPCs and importantly the CPIs grew by 15% and 35% respectively. Again, the increase in Google Search revenues is largely driven by the average cost-per-impression, reflecting changes in how Google displays its search results.

Figure 20: Google's global Total Revenues, Search & Other Revenues, Profit Margin



Source: Collated from Alphabet's respective SEC 10-K filings for each year ended 31 December 2017 to 2021.

143. Understanding the impact that changes in Google's SERP over time has had on the volume of organic impressions and CTRs is also important. Most platforms have noted that they were only able to submit organic search data for a period not longer than 16 months[593]. Similarly, [redacted]

[590] See various Alphabet 10-K SEC Filings for the year ended 31 December 2017 to 2021.
[591] According to Statistics South Africa (2022), South Africa's GDP at market prices for 2021 was R4.49trn (or USD 303.56bn). Stats SA (2022). Statistical Release (P0441) Gross Domestic Product Fourth quarter 2021. Available at: http://www.statssa.gov.za/publications/P0441/P04414thQuarter2021.pdf (Accessed on 29 April 2022)
[592] Alphabet 10-K SEC Filings for the year ended 31 December 2021
[593] Online platforms rely on Google's Search Console for this data which is only available for the trailing 16 months.

was unable to submit impression data over time, which limits the Inquiry's ability to make time series assessments in relation to organic CTR trends over time[594]. Nonetheless, the Inquiry has been able to compile meaningful insights into organic search CTRs and volume trends over time. Firstly, using data submitted by nine online travel and accommodation intermediary platforms, the weighted average CTR for paid search was 17.1% whereas the weighted average CTR for organic search was 2.3% for the same platforms, suggesting each paid search result attracted 7.3 times more clicks than each organic search result on average[595]. Secondly, data for 61 travel and accommodation platform domains consistently shows that the number of paid search clicks is higher than organic clicks over time on a monthly basis when benchmarked to July 2016, except during hard lockdown (i.e., see **Figure 21** below).

Figure 21: Monthly paid and organic search click changes relative to July 2016



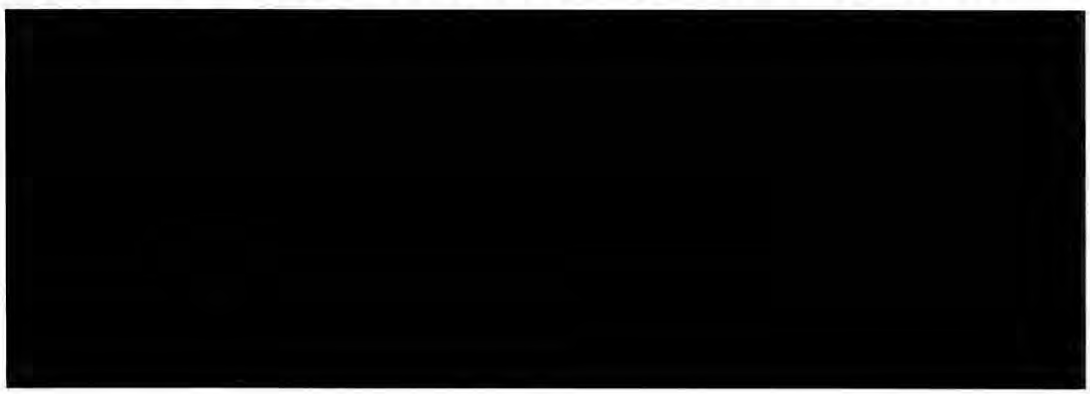
Source: [redacted]

[594] It also appears that [redacted] worth of impression data.

[595] The Inquiry did the same assessment across 46 travel and accommodation platform domains for September 2020 to June 2021 from data submitted by Google and found that the average CTR for paid search was [redacted] and the average CTR for organic search was [redacted] over this period, suggesting that on average each paid search result generated [redacted] times more clicks than each organic result, confirming the Inquiry's finding using platform data. (See Google WS2c & d, Annex 5.1 & Annex 5.1a.). Google also submitted organic and paid CTR's for a broad set of travel and accommodation domains, 5491 in total, where in 2021 the average organic CTR was [redacted] and the average paid Text Ad CTR was [redacted] suggesting that on average each paid search result generated [redacted] times more clicks than each organic results for a broad set of travel and accommodation domains. (Google, WS3d, Annex 4.2 & Google, WS4a, Table 25.1). This also suggests that travel and accommodation platforms, due to higher paid search CTR's (relative to a broader sample of travel and accommodation domains), drive disproportionately more traffic through paid search relative to organic search results. Again, this observation reiterates the dependence of travel and accommodation platforms on Google Search for customer acquisition.

144. The Inquiry also obtained organic and paid CTR's from one of Google Hotel Ads direct competitors in the downstream vertical between 2014 and 2021. **Figure 22** below illustrates the average annual changes in CTR's for organic and paid search for one of Google's downstream rivals from 2015 to 2021. Over this period, one can observe a corresponding decline in CTR's for organic search which declined by 79% (i.e., a fifth of what it used to be) while CTR's for paid search results doubled. This trend is consistent with the observation that Google has pushed organic traffic down the SERP and promoted paid search results, including making them less distinctly appear as ads.

Figure 22: Organic vs paid CTR's for a downstream rival from 2015 to 2021.



Source: [redacted]

145. Lastly Google appears to set a minimum threshold price or reserve price when bidding on a click which can alter in value depending on Ad rank and Ad quality conditions. For example, Google notes: "*If your ad is the only one that's eligible to show, (for example, because none of your competitors meet their Ad Rank thresholds), you'll pay the reserve price (the threshold rounded up to the minimum billable unit in your country*[596]*"*. This means that Google suggests a minimum starting price for a bid for a given position on the SERP and effectively acts as a price floor. Google notes that "*Ads that appear higher on the search results page have higher thresholds than ads that appear lower on the page*". This is likely to incentivise a user to pay Google's reserve price for an Ad to obtain more visibility higher up on the SERP even if doesn't have a competitor, suggesting that absent the reserve price it could have paid Google less.

[596] Google Ads Help. Ad Rank thresholds: Definition. Available at: https://support.google.com/google-ads/answer/7634668 [accessed 16 June 2022]

Again, Google setting a reserve price for an ad is likely to raise spend by users of Google's service.

Bidding on competitors branded search terms and rising ad spend

146. Another issue raised by online travel and accommodation platforms, is expenditure by competitors on its own branded search term. For example, Agoda bidding on a competing platform branded name, say "Afristay". Keyword competition on Google Search (i.e., several businesses competing on a particular keyword such as "accommodation Cape Town") is likely to raise the bid price for that keyword and in so doing so, raise the bidders (i.e., OTAs) online distribution costs. Google is the ultimate beneficiary of keyword competition where the costs of this competition are indirectly passed through to consumers in the form of higher prices (discussed previously). Therefore, bidding on a rival's branded term is likely to raise Google Ad spend for both competitors as online platforms and business users have noted during the Inquiry that they feel compelled to bid on their own branded term to stave off rivals from doing the same[597]. These online platforms, however, feel that their own branded search term should be organic because users know exactly where they want to go[598]. However, a user wishing to go to "Roomsforafrica.com" may not type in the full URL but rather type in "Roomsforafrica", leaving the user at the mercy of Google's search engine results where another result (such as "Agoda.com") may be the first on the SERP (this is discussed in a bit more detail later). The Inquiry calculated how bidding on one's own search term increased the cost of ad spend across 9 platforms between 2018 and 2021 and found that it raised their ad spend by between 1.8% and 3% for each calendar year on average, with an average of 2.4% over the four-year period.[599]

Box 3: Key findings on Google profiteering off paid search

Given its monopoly status in search and the key input into the discoverability of websites in the downstream vertical, the presence of organic search results on the first SERP, particularly at the top of the results, is currently the biggest constraint on Google exercising its monopoly power and profiteering off its paid search services.

[597] [redacted]
[598] Tripco, OS, p.46 – 47.
[599] Own calculations from submission by platforms.

Google appears to maximise its long-term value (or profit) where the marginal revenue of paid search equals the marginal cost of ad blindness, which seems to be tested for regularly.

The Inquiry finds evidence of Google profiteering off travel and accommodation platforms in South Africa by redirecting traffic to paid search. For example between 2014 and 2019, based on aggregated preliminary data, CTR's to paid search more than doubled, and in 2021 it had quadrupled. Similarly in 2021, paid search results drove roughly 7 times more traffic than organic search results. Correspondingly, paid search spend had increased by almost five-fold in 2019, and the average CPI more than doubled. This also corroborates with massive and increasing Alphabet profits. Over the same period organic CTRs to Google's downstream rivals appear to have decreased (also discussed later).

Google also sets a minimum ad rank threshold which is effectively a price floor and is likely to drive up the minimum bid price especially where there are few or no rivals bidding.

Competition between bidders on the SERP ultimately benefits Google and hurts consumers who will invariably pay higher prices as platforms and business users increase prices to cover Google's high advertising costs. Furthermore, the Inquiry found that bidding on a rival's branded search term in travel and accommodation can increase paid search costs by up to 3%.

The high cost of customer acquisition on Google's paid search harms consumer welfare and competition in the following ways:

- It raises the cost of online intermediation services and indirectly raises costs to consumers.
- It distorts competition in the downstream vertical where paid search raises barriers to expansion to small platforms vis-à-vis established platforms.
- Margins made by travel and accommodation platforms are being captured by advertising expenses (i.e., Google), which limits their ability to reinvest into their platforms.

3.1.6. Google's self-preferencing of its Travel Unit

147. Travel and accommodation platforms including OTAs, and metasearch engines have articulated concerns that Google self-preferences its own Travel Unit[600] which includes Google

[600] Expedia OS p.17, 21 & 31; eDreams OS, Presentation, slide 6; [redacted]; Tripadvisor SEC 10-K filing for the year ended 31 December 2020, p.11 [redacted] Booking Holdings SEC 10-K filing for the year ended 31 December 2020, p.15.

Hotels, Flights, Things to do, and Holiday Rentals. Metasearch engines compete directly with Google Travel for the provision of leads to OTAs, hotel's own websites, airline websites or any online travel and accommodation platform where one can complete a booking. Similarly, both travel and accommodation booking platforms such as OTAs and metasearch engines also compete with Google Travel for prominent positions on the SERP, which is essential to drive user traffic. Online platforms, especially metasearch engines, engage in significant marketing efforts and spend to attain good visibility on the SERP[601].

148. Concerns[602] with Google's Travel Unit is that it; (i) always appears to be the first organic search result following a travel and accommodation query[603]; (ii) it is not subject to the same algorithm as its online travel and accommodation platform competitors[604], (iii) it occupies a large space on the SERP, (iv) it is distinguishable/ prominent relative to other results in that it typically embodies "rich features" such as colourful pictures, maps etc. (v) and most consumers do not know that they are using Google's Travel product, which, unlike its travel and accommodation competitors, does not clearly state that it is a Google Travel product in the URL or the domain link[605]. Further to this, online travel and accommodation platforms note that the Travel Unit pushes organic results further down the SERP which results in decreased visibility and a reduction in organic traffic. As such these platforms must either pay to advertise above Google's Travel Unit or must advertise within Google's Travel Unit[606].

Effects of self-preferencing on competition

149. As discussed previously, CTR's for paid ads and organic results were 17.1% and 2.3% on average for travel and accommodation platforms. Google's Travel Unit had relatively high CTRs, especially Google Hotels[607]. Therefore, given the low levels of click throughs on organic

[601] See discussion in Section 2.3.3. of the Report and Booking Holdings SEC 10-K filing for the year ended 31 December 2020, p.15.
[602] The CMA provides a comprehensive delineation on the mechanisms for self-preferencing (See CMA. 2020. Online platforms and digital advertising. Appendix P).
[603] This is based on the observation of numerous travel and accommodation queries made during the Inquiry. Furthermore, Expedia notes that Google appears to override its own algorithm and just below the ads puts a very big insert which is effectively the Google metasearch unit. (Expedia OS, p. 15).
[604] For example, eDreams notes Google enjoys a preferential bias via visual prominence, higher guaranteed ranking and immunity from an algorithm. eDreams OS, p. 7.
[605] For example, [redacted]
[606] SafariNow OS, p.14.
[607] For example, for the period December 2020 to August 2021, the average CTRs for Google Hotels, Holiday Rentals and Flights was [redacted] respectively. (Own calculations from data submitted in Google, WS2c, Annex 5.1).

search results, online platforms need to either pay for higher ranked search results on Google Search or pay for ads within Google's Travel Unit. As such this is Google's way of keeping clicks within its ecosystem and a means to continue to monetise i.e., it is another attempt at advertising, by placing more ads lower down the funnel[608].

150. Google's Travel Unit has the effect of disadvantaging its direct competitors in its downstream vertical. Google's behaviour most acutely impacts metasearch engines which drive most of their traffic (77.8% in 2021[609]) using Google Search, more than in any other online travel and accommodation platform type. Furthermore, most of this traffic (in the case of desktop) is driven by organic search results which accounted for 73% of traffic in 2021, or 84% when one excludes Cheapflights[610]. Again, the dependence of metasearch engines on organic traffic is relatively high when one considers that on average online travel and accommodation platforms drove 65% of traffic through organic searches in 2021. Notwithstanding this, overall metasearch traffic remained unchanged between 2020 and 2021 on average (i.e., see discussion in Section 1.2.1 of the Report) despite other online travel and accommodation platforms recovering over this period[611]. Following deeper analysis, desktop metasearch search traffic grew by 5.6% between 2020 and 2021, however, this was driven entirely by paid search traffic (which grew by 30.6%) whereas organic search traffic declined by 1.5% over the period[612]. In addition, revenues of metasearch competitors appear to be decreasing[613] while Google Hotel's revenues are increasing over time. For example, metasearch market shares (by revenues) of Google Hotels increased from 0-5% in 2018 to 20-30% in 2020 (i.e., see Table 5 of Section 1.2.3), where its revenues increased several fold between 2018 and 2019[614].

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608 [redacted]

609 Own calculations using Similarweb data. See discussion in Section 2.2.4 of the Report.

610 See discussion in Section 2.2.4 of the Report. Cheapflights appear to have adopted a strategy of predominantly relying on paid search traffic in 2021 where paid search accounted for [redacted] of its overall search traffic.

611 When one dissects these changes in metasearch sites, one notes that those focussed mostly on proving leads for accommodation intermediation (e.g., Trivago, Tripadvisor, etc.) declined by 5% over this period, again reiterating a general decline in metasearch. Metasearch predominantly providing leads for flights intermediation increased by 21% between 2020 to 2021, mostly driven by Cheapflights (which mostly drives traffic using paid search).

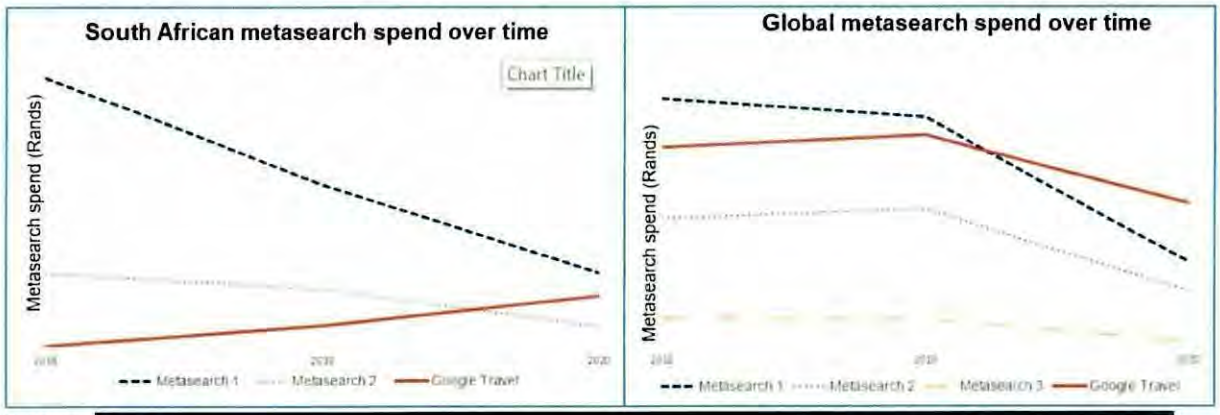
612 Own calculations using desktop paid and organic search data from Similarweb for 2020 and 2021.

613 [redacted]

614 Google's South African revenues generated by its Hotels Unit increased by [redacted] between 2018 and 2019. (Google WS2b, table 1).

151. Google's Travel Unit is likely to increase the dependency of its business users for consumer traffic. There is a trend locally and globally where metasearch spend by global OTA's appear to be mostly directed to Google's Travel Unit while displacing spend on more traditional metasearch engines (i.e., see Figure 23 below)[615]. This is likely to be because global OTAs typically make use of machine learning techniques to better allocate search and metasearch spend in order to drive more traffic[616] and are incrementally being directed into Google's Travel Unit, demonstrating the effects of self-preferencing and increasing dependence over time.

Figure 23: OTA metasearch spend, 2018 to 2020



Source: [redacted]

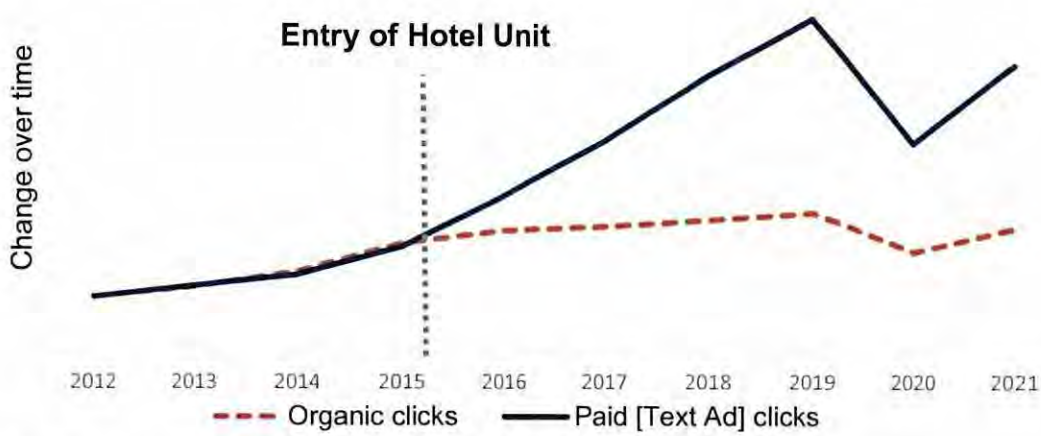
152. Google's Travel Unit increases its travel rivals overall input costs of paid search by pushing online travel and accommodation platforms to purchase more ads. As discussed previously, many online travel and accommodation platforms have complained that Google's Travel Unit pushes down organic search results, thereby increasing their dependency on paid search to drive user traffic. Google Hotels was introduced in sometime in 2015, Google Flights and Holiday Rentals later on. As can be demonstrated in Figure 24 below, when benchmarking over 5 000 travel and accommodation domains to 2012, one can observe the relative changes in paid and organic clicks for each year over time. Between 2012 and 2015, organic and paid clicks appear to change at the same rate with both roughly doubling over this period. However, following the introduction of Google Hotels in 2015, these relative changes appear to diverge

615 [redacted]

616 [redacted]

with relatively more clicks being driven by paid search. For example, by 2019 the number organic clicks only grew [redacted] contrasted with paid clicks which grew significantly by [redacted] from 2012 levels. On the balance of probabilities, it would be reasonable to conclude that the introduction of Google's Hotel Unit and subsequent travel units, along with the move to displaying four text ads at the top of the SERP, have pushed proportionately more clicks to paid search and subsequently more spend. This is mirrored by the by the rising platform spend statistics over time captured in Table 10, with the biggest jump in paid search spend being between 2015 and 2016, an increase of 73%.

Figure 24: Relative changes in paid and organic travel and accommodation domain clicks over time, benchmarked to 2012.



Source: own compilation

153. The Google Travel Unit and in particular Google Flights, Holiday Rentals and Things To Do can be conceived of as placing an anticompetitive margin squeeze on its downstream rivals. A margin squeeze arises in vertically related markets, where a vertically integrated firm, dominant at the upstream level, faces competition in the downstream segment from competitors who rely on its upstream input[617]. Google Search is an effective monopoly in the upstream provision of search results, a key input that its downstream rivals depend on to drive online consumer traffic (discussed previously). Similarly, Google is vertically integrated because its downstream rivals

[617] Gaudin, G. & Mantzari, D. (2016). Margin Squeeze: An Above-Cost Predatory Pricing Approach. *Journal of Competition Law & Economics*, Volume 12, Issue 1, March 2016, Pages 151 – 179. Available at: https://doi.org/10.1093/joclec/nhv042 [accessed on 31 May 2022].

(such as metasearch engines) compete directly with its own verticals on the SERP for consumers traffic and the subsequent provision of travel related leads. As demonstrated previously, Google has raised the costs of search inputs by pushing its downstream rivals to paid search, yet its own Travel Unit get its own prominent position (and format) as the first "organic[618]" search result for which it effectively pays a zero-search input cost.

154. Secondly, in the case of Google Flights, Holiday Rentals and Things To Do, Google does not charge business users i.e., the price is zero. This is in contrast to its downstream competitors which need to monetise these services to continue as a going concern and do so through commissions, CPC's, etc[619]. This is notwithstanding the fact that these Google verticals most likely incur costs such as salaries, maintaining and developing the product, user experience services, cloud computing services to store data, contracting with and finding new suppliers of flights, activities, holiday homes etc. As such any relevant measure of cost such as average avoidable cost, average variable cost, marginal cost, average incremental cost etc. is likely to be larger than the price (which equals zero). It is unfathomable how an equally as efficient competitor could replicate Google's downstream metasearch services by charging business users a zero price for its services and drive the same amounts of traffic that Google's travel business units do without paying for search ads[620], notwithstanding the fact that such a competitor would have other costs to cover as well. As such one can argue that Google engages in a margin squeeze as it (i) raises the input search costs of its downstream rivals, (ii) charges a zero downstream price for in the case of Google Flights, Holiday Rentals and Things To Do[621] and (iii) it is unfathomable that an equally efficient competitor would be able replicate Google's downstream business model by charging a zero price.

Effects of self-preferencing on consumers

155. Google's Travel Unit is likely to result in adverse consumer outcomes in the form of higher prices and poor consumer options. For example, Expedia notes that Google's behaviour

[618] Google, OS.
[619] For example, a rival in the flight intermediation space argues that Google is not subject to its rivals' pressure; on the contrary it is able to dictate new business conditions to the market and take the risk of a predatory strategy and operate at a loss. This impacts meta competitors' ability to remain in the market, which cannot compete on the merits, and may result in serious and irreparable harm to competition. [redacted]
[620] As demonstrated previously, Google's Travel Unit's drive significantly more traffic than organic search results.
[621] Google most likely charges a zero price at present to create dependency on its downstream verticals. Once Google has reached a critical mass of consumer traffic, it may start charging business users for leads.

increases costs for distribution and reduces choice for consumers[622]. As delineated previously within this report, Google's behaviour in Search and self-preferencing its own product has raised input search costs for online intermediation platforms depending on it to drive consumer traffic. OTAs, metasearch engines and other online travel and accommodation service providers need to be able to recoup these costs and as such are likely to indirectly pass these costs to customers in the form of higher prices.

156. In addition, Google's downstream vertical is considered as reducing choices for consumers. For example, in Google Flights, the full array of flight options including the cheapest options are not often shown to customers or are often inaccurate[623] [624]. The Markup (2020) notes that Google Flights do not always display the cheapest fares or all available flights, even when those fares and flights showed up in ITA Matrix, which is powered by the same software Google acquired in 2010 and was used to launch Google Flights[625]. Furthermore, the authors cite a leaked FTC document by the Wall Street Journal in which staffers initially recommended bringing a lawsuit challenging Google's practices in 2012 but was dismissed by the Commissioners[626] stating "*although it displays its flight search above any natural search results for flight-booking sites, Google does not provide the most flight options for travellers*[627]" Similarly Frommer (2022), when comparing airfare search sites for 2022, ranked Google Flights in 8th position stating that it "*simply never found the best price, not even once*" after it ran an experiment assessing a number of flight itineraries[628]. In fact, some of the flight aggregators who have raised concerns with Google self-preferencing its Flight Unit ranked better such as Momondo, Tripadvisor, Kayak and Skyscanner (which ranked first). Lastly, as discussed previously, consumers may not even know that they are using Google's travel products as this is not clearly marked as Google's products either on the search results links or the URL links (discussed previously).

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[622] Expedia, OS, p.17.
[623] TS, OS, p. 22 and eDreams, OS, p.7.
[624] Similarly for Things To Do (activities), Viator notes that people can search and then shop on Google but never get exposed to Viator's brand. Viator WS3, para. 4.
[625] Jefferies, A & Yin, L. (2020). Surprise! It's Google. The Markup. Available at: https://themarkup.org/google-the-giant/2020/07/28/google-search-results-prioritize-google-products-over-competitors (Accessed on 31 May 2022)
[626] Wall Street Journal (2015). The FTC Report on Google's Business Practices. Available at: https://graphics.wsj.com/google-ftc-report/ (Accessed on 31 May 2022).
[627] FTC cited in Jefferies, A & Yin, L. (2020). Surprise! It's Google. The Markup. Available at: https://themarkup.org/google-the-giant/2020/07/28/google-search-results-prioritize-google-products-over-competitors (Accessed on 31 May 2022)
[628] Bramblett, R. (2022). The 10 Best (and Worst) Airfare Search Sites for 2022. *Frommer's*. Available at: https://www.frommers.com/slideshows/848046-the-10-best-and-worst-airfare-search-sites (Accessed on 31 May 2022)

157. Regarding the effect of self-preferencing on consumer welfare, choice and innovation, Vu (2020) notes that "*Google's ongoing practice of self-preferencing in airfare and hotel search results operates to the detriment of consumers and innovation. Google-run algorithms generate results that fail to deliver on improved efficiencies, and its claimed competitive justification of a more balanced search product does not square with the reality that the results it promotes are irrelevant, misleading, and of lower quality. Rather than promote innovation, Google supplies less efficient products that waste users' attention, push pricier options, and hide the best travel deals far below the screen. And despite its substandard delivery of less efficient products, Google's market share of travel search has expanded rapidly, resulting in a far more concentrated market today*[629]".

Effect of self-preferencing on innovation

158. Self-preferencing Google's Travel Unit is likely to limit innovation by its rivals. For example, in a counterfactual scenario, was an OTA able to compete for the same position, richness and size that the Travel Unit benefits from, it could possibly yield innovations better than the existing Travel Unit[630]. Similarly, innovative website currently exists, however, consumers would never see the investments in technology and innovations of online travel platforms[631]. Vu (2020) notes that this is because consumers are locked into Google's closed ecosystem and are forced to settle for poor online travel search products[632].

Box 4: Key findings on Google self-preferencing on its own Travel Unit and its effects

Self-preferencing increases the input search costs of Google's downstream rivals by pushing these platforms to purchase more ads. The Travel Unit does this by placing itself in a prominent position on the SERP as the first organic search result with a large size and rich colourful features which attracts significantly higher click throughs relative to organic results on average. The Travel Unit pushes down organic search results resulting in increased dependence of rivals to purchase more Ads, and in doing so increase their Google Ad spend.

[629] Vu, J. 2020. Globetrotting in a Google Run World: Google Takeover of Travel Market Risks Stifling Competition and Consumer Experience, *Harvard Journal of Law & Technology. Dig.* Page 10. Available online: https://jolt.law.harvard.edu/digest/globetrotting-in-a-google-run-world-google-takeover-of-travel-market-risks-stifling-competition-and-consumer-experiences (Accessed on 31 March 2022).
[630] Expedia, OS, p.32.
[631] Expedia, OS, p.30
[632] Vu, J. 2020. Globetrotting in a Google Run World: Google Takeover of Travel Market Risks Stifling Competition and Consumer Experience, *Harvard Journal of Law & Technology. Dig.* Page 10. Available online: https://jolt.law.harvard.edu/digest/globetrotting-in-a-google-run-world-google-takeover-of-travel-market-risks-stifling-competition-and-consumer-experiences (Accessed on 31 March 2022).

Google pushes consumers deeper into its ecosystem (i.e., the Travel Unit) and in doing so adds an additional layer of advertising.

Self-preferencing has reduced consumer traffic to Google's rivals and subsequently diminished their revenues. In doing so, Google has managed to grow its own lead generating revenues and increased OTA dependence on it to drive leads yet at the same time revenues of traditional metasearch sites have been decreasing.

Google effectively squeezes its downstream rivals by preferencing its own Travel Unit with a zero-input search cost while still having prominent visibility on the SERP.

Google reduces consumer choice by driving them to its own lower quality products while indirectly increasing prices paid by consumers as business users and platforms seek to recoup their paid search spend. It also reduces the discoverability of websites and platform innovations offered by rivals by keeping users in Google's ecosystem and restricting the ability of rivals to provide similar or better innovations in place of the Travel Unit.

3.1.7. Google Ads and adverse impact on SME participation

159. As discussed in section Section 2.5.2 of the Report, smaller platforms face barriers to expansion as the ability to acquire consumer traffic is proportionate to where a website ranks on the SERP which in turn is proportionate to Google Ad spend (and subsequently deep pockets), considering that the biggest spenders acquire the most traffic. This is even more true for business users[633] which are less likely to feature on the SERP, especially in highly competitive nodes. As such business users (including the largest ones) depend on OTAs with large marketing budgets such as Booking.com as they can afford the high cost of Google Ads. Guggenberger (2021) notes that "*all but the very largest companies depend on Google's search engine. Without being listed, newcomers especially can hardly expect to attract attention and may remain close to invisible*"[634]. Smaller travel and accommodation platforms are thus

[633] With exception of the largest hotel chains or airlines such as Marriott or Flysafair that can typically afford to compete with OTAs on the SERP.

[634] Guggenberger, N., 2021. Essential Platforms. *Stan. Tech. L. Rev.*, *24*, page 269. Available online: https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3864214_code2409814.pdf?abstractid=3703361&mirid=1 [accessed 30 March 2022].

restricted to focus on niche markets as competing head-on with large platforms in highly competitive nodes is likely to be too costly.

160. Small domestic platforms have indicated that competing with the likes of Booking.com has become virtually impossible, crediting this to the high cost of marketing spend and customer acquisition[635]. Some platforms have indicated that the cost of acquiring customers is simply too high at present[636]. [redacted] platforms acknowledge this by noting "*OTAs can't keep up with the rate of ad spending. If that's hard for the larger OTAs, it is no doubt impossible for SMEs to compete in this market. Ultimately it is the consumer that loses out*[637]". For domestic travel and accommodation platforms, the coinciding of the full-scale entry of global platforms and the changing of Google's SERP to four Ads at the top, severely impacted their business[638]. In South Africa, competition for high ranking on the SERP[639] is intense even for the largest OTAs. For example, a global OTA submitted that its return on ad spend ("ROAS") has constantly been significantly lower in South Africa relative to its global average[640].

The evidence

161. As can be seen in Figure 25 below, a strong linear relationship exists between the amount spent on paid search and the resultant paid search traffic for accommodation platforms as one would expect[641]. The implications however suggest that the more a platform spends, the more consumer traffic the platform gets. This is relevant considering that the growth of paid search clicks has significantly outstripped organic search clicks since 2015[642] (i.e., as discussed previously), reiterating the importance of paid search in driving consumer traffic. Again, this demonstrates, as put by SafariNow during the Public Hearings, acquiring customers for online intermediation has now become a game of having to pay to play[643].

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[635] Engagement with numerous platforms. [redacted]

[636] [redacted]

[637] [redacted]

[638] [redacted]

[639] Again, competition on the SERP is a game of deep pockets, where Google is the ultimate winner, and consumers (who invariably and indirectly pay for Google's Ads) and SMEs are the ultimate losers.

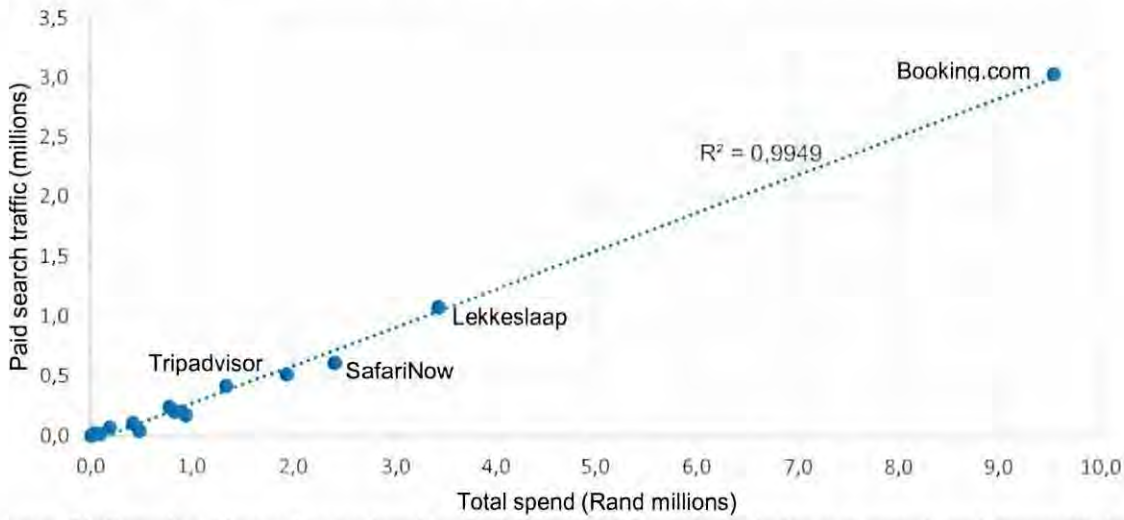
[640] [redacted] ROAS for South Africa has been between [redacted] lower than its global average for each of the calendar years 2018 to 2020. (Own calculations [redacted]

[641] The correlation coefficient is 0.997 and suggests that each unit of paid traffic effectively cost R3,47 on average.

[642] [redacted]

[643] SafariNow, OS, p.4.

Figure 25: Paid search spend and paid search traffic for accommodation platforms in 2021 (Desktop).



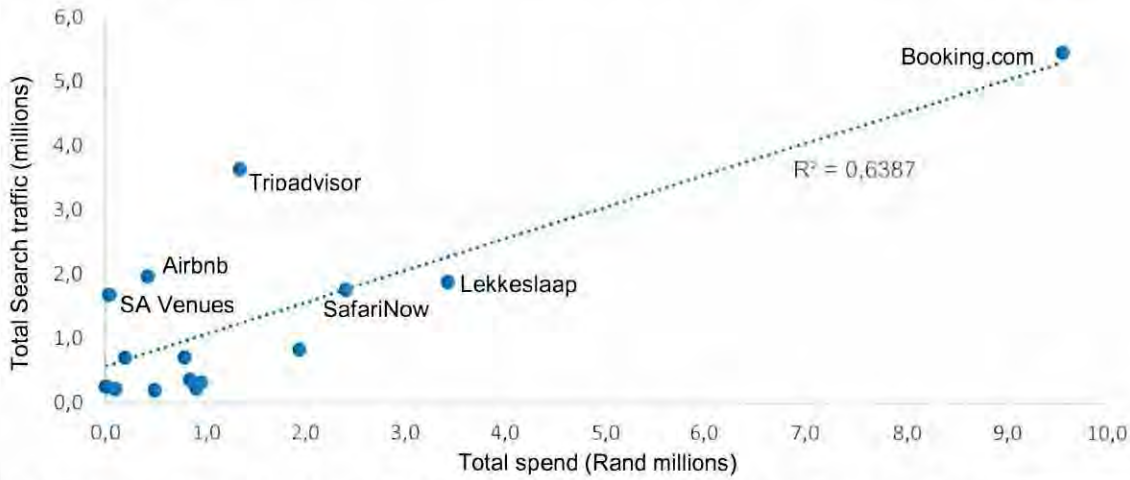
Source: Similarweb paid search spend and traffic data across 15 accommodation metasearch and intermediation platforms for calendar year 2021 (desktop)

162. A strong relationship between paid search spend and total search traffic exists. Figures 26 to 28 below demonstrates this by plotting the relationship between spend and total search traffic and calculating correlation coefficients across 15 platforms for 2021. Initially the correlation coefficient between spend and total search traffic was 80% (i.e., figure 26). However, three outliers exist, namely Airbnb, Tripadvisor and SA Venues. When these three outliers are dropped from the analysis, the correlation coefficient increases to 98% (i.e., figure 27). As one would expect, Airbnb is a global brand and an innovator platform associated with intermediating home spaces with guests[644]. As demonstrated in figure 3 of the Report, Airbnb enjoys relatively high levels of brand loyalty and was the only accommodation platform that enjoyed more than 50% direct traffic in 2021[645]. As such Airbnb can leverage its brand name to attract disproportionate amounts of organic traffic, something its rivals are not likely to be able to do. On closer examination SA-Venues and Tripadvisor had high bounce rates suggesting that their websites weren't what users were looking for when they appeared in their search results. When adjusting for bounce rates to estimate better quality traffic, SA-Venues is not much of an outlier,

[644] Like "Googling" something is synonymous with search, "Ubering" is synonymous with ridesharing so is "Airbnbing" associated with renting a home space.
[645] Own calculations using Similarweb data. Direct traffic to Airbnb.co.za was 56.3%

however, Tripadvisor remains one although its variation is reduced[646] (i.e., see figure 28). While bounce rates explain some of the variation, Tripadvisor is also one of the first metasearch sites from the dot.com era and is associated with exploring things to do in a particular destination. As such it may leverage its brand name and its many years of search engine optimisation to drive disproportionately higher levels of organic search traffic. Lastly, these observations support the notion that paid search spend is linked to overall search traffic, including organic search traffic, indicating that paid search is an important tool for building brand awareness. In fact, a strong relationship appears to exist between paid search spend and organic search traffic[647].

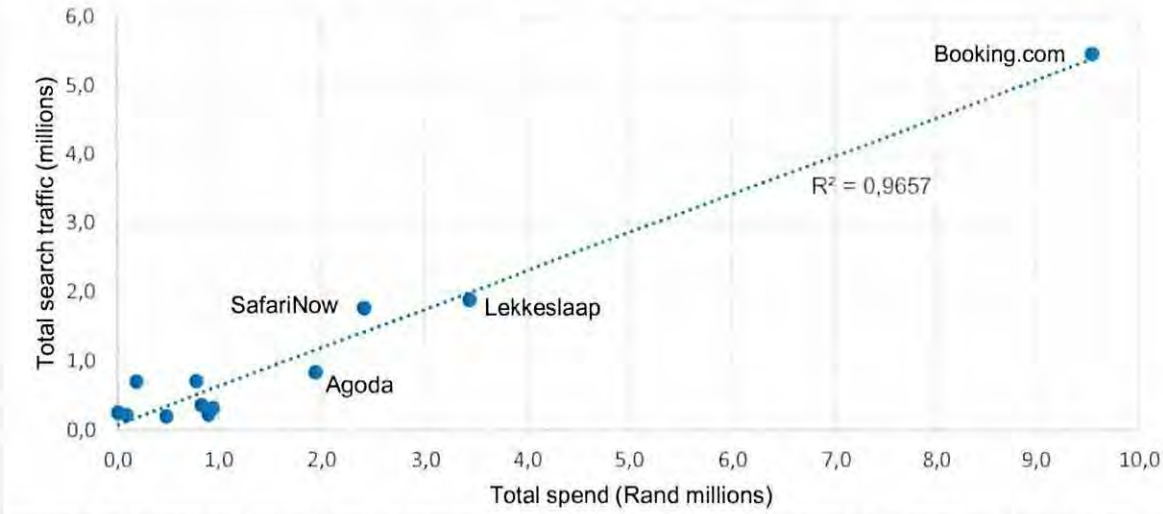
Figure 26: Paid search spend and total search traffic for accommodation platforms for 2021 (Desktop).



Source: Similarweb paid search spend and traffic data across 15 accommodation metasearch and intermediation platforms for calendar year 2021 (desktop)

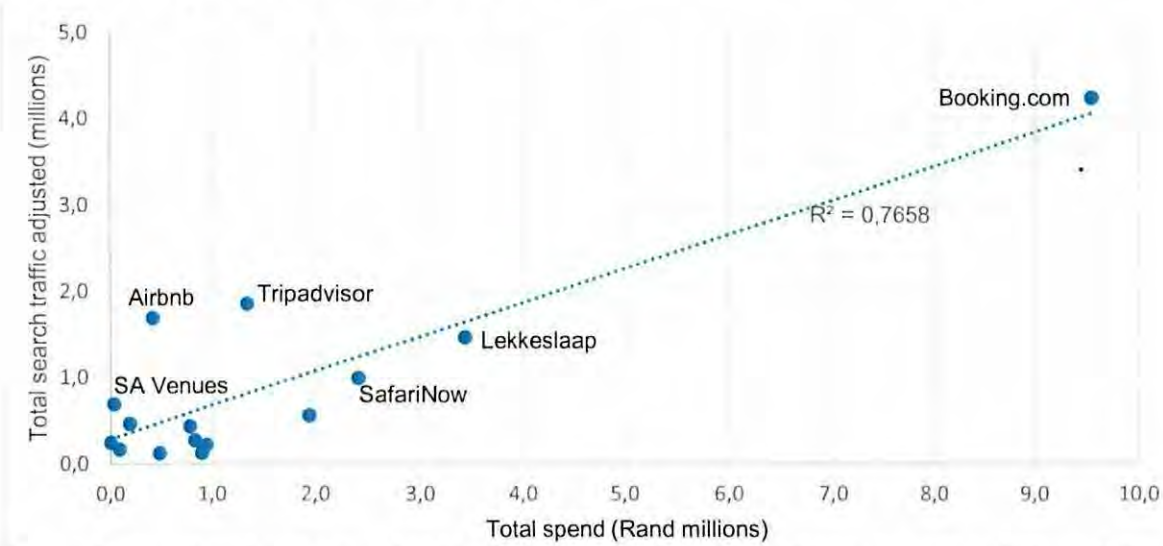
[646] The correlation coefficient for all 15 platforms following the bounce rate adjustment improved from 80% to 88%.
[647] Paid search spend had an 89% correlation coefficient with organic search traffic for accommodation platforms when one adjusts for bounce rates and drops the outliers, Airbnb and Tripadvisor.

Figure 27: Paid search spend and total search traffic for accommodation platforms for 2021 (Desktop) excluding Airbnb, Tripadvisor and SA-Venues.



Source: Similarweb paid search spend and traffic data across 12 accommodation metasearch and intermediation platforms for calendar year 2021 (desktop)

Figure 28 Paid search spend and total search traffic for accommodation platforms for 2021 (Desktop) adjusted for bounce rates.



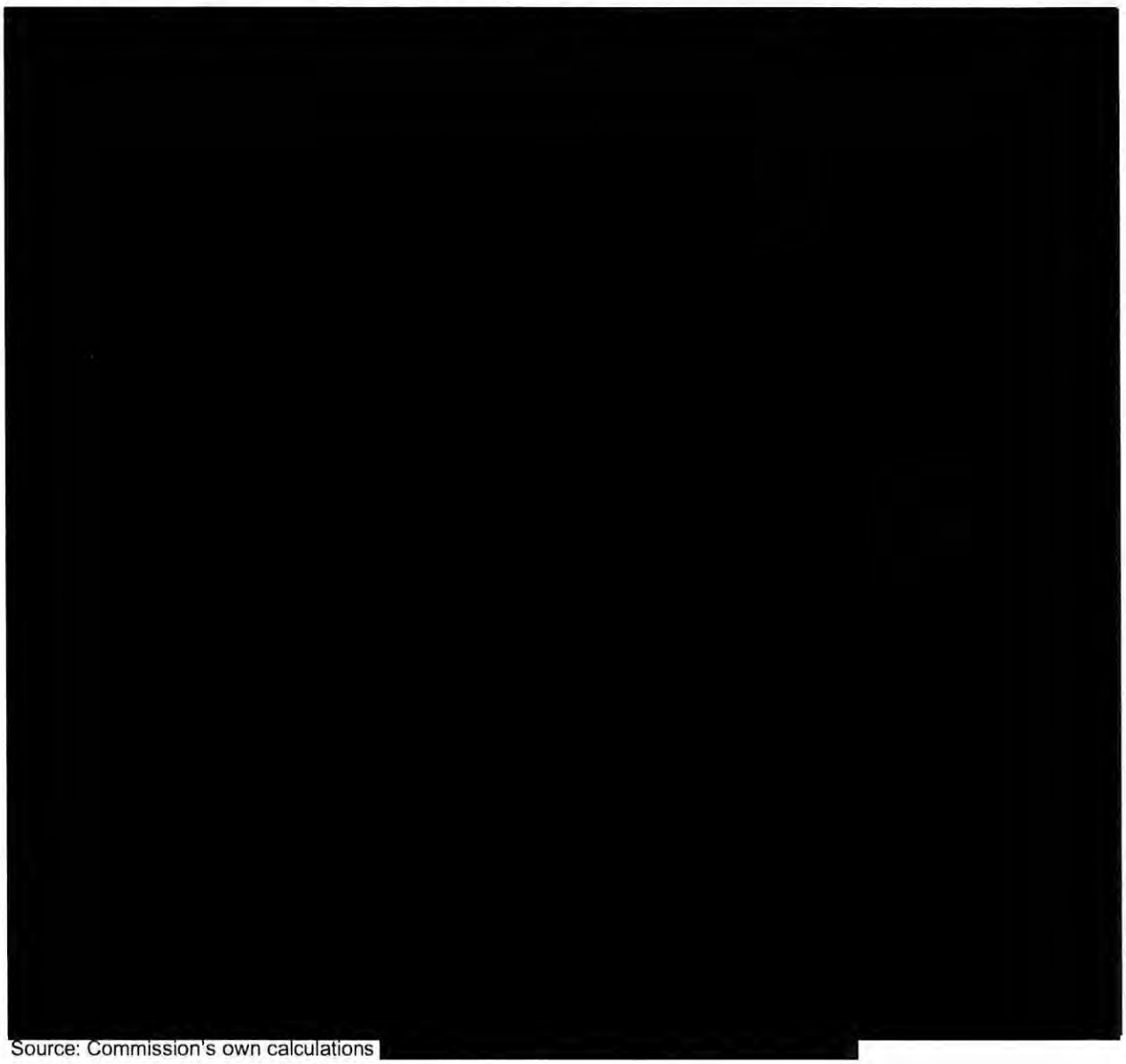
Source: Similarweb paid search spend and traffic data across 15 accommodation metasearch and intermediation platforms for calendar year 2021 (desktop)

163. Again, the importance of paid search is demonstrated in the statistics for a subset of categorical travel search queries. The Inquiry requested data for travel queries typically found in somewhat competitive nodes including: "accommodation Johannesburg", "Bed and Breakfast Umhlanga",

"Car Rentals Durban", "Flights Johannesburg to Cape Town", and "Hotels Cape Town". Overall, these queries typically returned 3 paid search results at the top of the SERP and less than 1 paid search results at the bottom of the SERP on average[648]. There was typically 1 specialized Google travel unit and just under 10 organic search results on average. Overall, the organic search results collectively only generated between 15% and 20% of the traffic, whereas the paid search results at the top of the page generated 40% to 45% of consumer traffic, and Google's specialised search unit generated 35% to 40% of traffic. Paid ads at the bottom of the SERP generated less than 5% of traffic. Again, these statistics suggest the need to "pay to play" to make any significant inroads into acquiring new customers and subsequently the ability to compete against the largest OTAs. Overall, the price of being in the top results is also demonstrably more expensive, with CPCs at the top other SERP being roughly fives as expensive as the CPCs at the bottom[649]. Seemingly, traffic generated by organic search results leave a small piece of the pie for those platforms with limited budgets. However, this space can also be dominated by large OTAs that have the resources to optimise organic search[650] and therefore crowd out some of the smaller platforms. For example, the top 3 organic results generated approximately two-thirds of organic traffic for the combined categorical queries listed above[651].

[648] This is based on an aggregation of the said search terms.
[649] This is based on an aggregation of the said search terms.
[650] It is not uncommon for a large OTA to be in the top paid search results and rank highly on organic search on the SERP following the same query.
[651] Own calculations [redacted]

Table 11: SERP performance statistics on categorical travel search queries



Source: Commission's own calculations

164. The Inquiry also considered the notion of larger OTAs bidding on the branded search terms of smaller OTAs[652]. While this does happen, the incidence is almost negligible, occurring less than 1% of the time[653]. Having said this, the threat of having a competing platform bidding on a platform's own branded search term might cause it to adopt a defensive strategy, forcing it to

[652] Tripco, OS.

[653] During calendar year 2021, the biggest offender in the online accommodation intermediation space was Agoda. Using Similarweb data, Agoda bidding on the branded search terms of selected smaller platforms never exceeded 0.15% of the overall branded search term, however.

bid on its own branded search term. As demonstrated previously bidding on an accommodation platform's own branded search term raises Google Ad spend by between 1,8% to 3%.

Box 5: Key findings on the adverse impact that Google has on SME platform participation

- There is an almost perfect correlation between paid search traffic and the amount spent on paid search. This supports the notion that a platform simply pays Google to acquire customer traffic.
- Paid search is the biggest driver of consumer traffic for categorical queries relating to travel and accommodation services, followed by Google's own specialised travel unit.
- Organic search results drive a small proportion of consumer traffic for categorical queries relating to travel and accommodation services. In addition, smaller platforms still face crowding out by larger platforms in this space.
- Small, and typically domestic, platforms face significant barriers to expansion as their ability to acquire new customers is restricted by the extent that they are able to dig into their pockets for Google Ad spend. They also face, to some extent, crowding out of organic search results by the larger travel platforms which are better resourced for search engine optimization ("SEO").

3.2. Price Parity Clauses

3.2.1. What are price parity clauses? Wide vs Narrow parity clauses

165. Price parity clauses also known as Most Favoured Nation ("MFN") clauses are often contained within business-to-business long-term agreements. Price parity clauses are characterized by two elements including a vertical element, since they involve firms at different levels in the value chain (e.g., hotels and online accommodation platforms), and a horizontal element because they link prices of competing distribution channels and a business users own distribution channel[654]. The Market Inquiry has identified that these clauses are present throughout the online travel and accommodation market for the distribution of accommodation, car rentals, activities and buses and mostly relates to customer facing prices (see **Table 12** below)[655]. It has also found that B2B intermediaries have wide and narrow price parity clauses that are likely to affect competition at a B2C level by restricting rates offered by business users on their own websites and on other online distribution channels. This falls within the scope of the Inquiry as it is likely to impact how B2C platforms compete.

[654] OECD, 2016. Summary of Discussion of the Hearing on Across-Platforms Parity Agreements. DAF/COMP/M (2015)2/ANN2/FINAL. Available at: https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/COMP/M(2015)2/ANN2/FINAL&doclanguage=en. (Accessed on 12 January 2022).

[655] In some cases, pricing parity clauses are applied by business-to-business ("B2B") service providers such as [redacted]. These clauses can affect competition at both a B2B level whereby the clause restricts prices (or rates) at the B2B level i.e., that the B2B intermediary in question must get the same or better rates compared to competing B2B intermediaries. It also occurs at a B2C level whereby the B2B intermediary places rate restrictions on the business user i.e., restricting it from selling at a lower rate through its own online distribution channels and other online distributors at the B2C level. The latter scenario falls within the scope of our Inquiry as it affects competition at the B2C level. (Also see: Ariel Ezrachi (2015) The competitive effects of parity clauses on online commerce, European Competition Journal, 11:2-3, 488-519, DOI: 10.1080/17441056.2016.1148870)

Table 12: Application of wide or narrow parity by various travel and accommodation platforms

Platform type	Platforms	Narrow or Wide Price Parity
Car rentals	[redacted]	Narrow Price Parity
	[redacted]	Wide Price Parity
Accommodation	[redacted]	Wide Price Parity
	[redacted]	Wide Price Parity
	[redacted]	Wide Price Parity[656]
	[redacted]	Wide Price Parity
	[redacted]	Narrow Price Parity
Buses	[redacted]	Wide price Parity
Activities	[redacted]	Wide Price Parity

Source: Commission's own compilation

166. For this section the Market Inquiry will focus on discussing pricing parity in the online accommodation space. There are two types of price parity clauses typically enforced, namely [657]:

(i) *Wide Price Parity Clauses[658] which occur if OTAs restrict the ability of accommodation providers to offer better prices[659] on other sales channels and its own sales channels.*

(ii) *Narrow Price Parity Clauses which occur if OTAs prevent accommodation providers from offering better prices on their own websites. Narrow parity does not typically apply to offline distribution where rates are not published or marketed online[660]. For example, offline rates offered by traditional travel agencies, walk-ins, emails, texts etc.*

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[656] While pricing parity is not stipulated in Afristay's terms of service with business users (https://www.afristay.com/terms/), wide parity is enforced by Afristay (Afristay, WS2, para. 6).

[657] See the Global Competition Review. Available at: https://globalcompetitionreview.com/guide/e-commerce-competition-enforcement-guide/e-commerce-competition-enforcement-guide/article/european-union-e-commerce-most-favoured-nation-clauses. (Accessed on 14 January 2022).

[658] Neither wide nor narrow parity applies to closed user groups [redacted] and Wojcek, A. (2017). What is Rate Parity and How Does it Affect Direct Bookings? Available at: https://www.travelmediagroup.com/what-is-rate-parity/ (Accessed on 19 April 2022).

[659] Other forms of parity restrictions observed in online travel and accommodation intermediation platforms include availability parity and full content parity at the B2B level (i.e., GDS service providers).

[660] [redacted]

3.2.2. Enforcement of price parity clauses

167. The Market Inquiry has found no evidence that platforms enforce price parity clauses by delisting accommodation providers. However, other enforcement mechanisms seem to be in place to ensure that accommodation providers adhere to price parity clauses[661]. Firstly, contracts are in place stipulating a contractual obligation to adhere to pricing parity. Secondly, accommodation providers are reminded of their contractual pricing parity obligations and are threatened with delisting[662]. Thirdly, platforms penalize accommodation provider's ranking on the platform and/or threaten to do so if pricing parity is not adhered to[663] [664]. Lastly, accommodation providers are concerned that they can potentially lose their special status that boosts ranking such as Booking.com's "Preferred Partner" status[665]. According to accommodation providers, once they fail to adhere to price parity, platforms do not spend on marketing the establishments through paid media[666].

168. OTAs such as Expedia and Booking.com have been applying a (price) quality score whereby accommodation providers are required to meet specific requirements such as adhering to price parity or "rate competitiveness". Failure to do so will mean that the accommodation provider could have its ranking penalised on the platform[667]. In relation to global platforms, it is unclear how (or what weighting) a poor price quality score or non-adherence to pricing parity is applied to overall ranking. [redacted] contrary to what online sources[669] and accommodation providers say, and

[661] For example, the Market Inquiry sent out its own survey questionnaires to business users and found that most of the hotel respondents indicated that platforms restrict and disincentivize them from pricing differently across platforms.

[662] [redacted]

[663] Having good ranking on the platform is an important incentive because the top 5 accommodation providers on an OTA's platform drive most of the bookings and the further down the accommodation provider appears on the platform, the more consumers are likely to assume that it isn't quite as good. This adversely affects the establishment's revenue. (See Section 4.1. of the Report)

[664] [redacted]

[665] [redacted] Accommodation providers, however, are of the view that non-adherence adversely impacts their visibility on the platform. [redacted]

[666] [redacted]

[667] [redacted] See Maher, M. (2016) Understanding the Science Behind Expedia's Marketplace. Available at: https://ik.imgkit.net/3vlqs5axxjf/PCWW/uploadedimages/uploads/2016/04/Expedia_Marketplace-White-Paper-April-2016-1.pdf?tr=w-768%2Cfo-auto (Accessed on 19 April 2022).

[668] [redacted]

[669] Booking.com Partner Hub (2019). Price Performance Dashboard. Available at: https://partner.booking.com/en-gb/community/booking-advice-and-updates/price-performance-dashboard-0. (Accessed on 19 April 2022). Roitels (2019). Price Quality Score of Booking and other indicators to improve your visibility in this OTA. Available at:

[redacted] However, engagements with accommodation providers suggest that either price quality score is applied [redacted]. For example, an accommodation provider notes: "*When enquiring with an OTA that a property's ranking isn't favourable, we are always referred to the Price Quality Score (or similar with other OTA's) and areas where we should improve are pointed out. These are usually linked to rate parity / price competitiveness*[672]". Domestic platforms are less opaque on how non-adherence to pricing parity affects ranking[673].

169. OTAs can monitor adherence to pricing parity through "Best Price Guarantee", "We Price Match", "Hotel Price Guarantee"[674], etc. which stipulates that the OTA will match the price of an accommodation room found elsewhere online, i.e., they have consumers informing them of price differentials. Another way often used by OTAs, particularly the global ones, is to use rate shoppers. Rate-shopping software such as RateGain or Fornova is used to monitor the pricing of accommodation providers across various online channels and to recommend prices for hotels[675] and other travel and accommodation services. It does this by crawling millions of different price points and can be used to detect price discrepancies. Accommodation providers have indicated that they have used rate shoppers to compare their rates across various channels largely for the purpose of determining whether they are in line with pricing parity[676].

3.2.3. Wide Parity Clauses

Arguments for wide price parity clauses

170. The application of wide price parity clauses is currently in force in South Africa and many other jurisdictions. OTAs have submitted that wide parity clause aims to ensure that it is able to

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https://www.roitels.com/price-quality-score-booking-en/ (Accessed on 19 April 2022). [redacted]

670 [redacted]

671 [redacted]

672 [redacted]

673 For domestic platforms, adherence to pricing parity generally has a small effect on overall ranking. For example, [redacted]

674 Applied by Agoda, Booking.com, Expedia respectively. Other platforms such as Afristay also make such guarantees.

675 For example, an OTA might recommend to a hotel what price it should use in say a high demand urban centre.

676 [redacted]

recoup its investments in the platform and the marketing costs incurred to promote accommodation providers[677]. Absent the wide parity clause, it is argued that accommodation providers would be able to distribute their rooms to the platform at higher prices than through other distribution channels[678]. Therefore, there is a risk that travellers will make use of an OTA's search and comparison functions, but then book the room elsewhere. In addition, the wide parity clause aims to ensure that travellers save time and effort, because they know that they will find the lowest price for the desired accommodation[679] (i.e., keeping them in the platform ecosystem).

Theories of harm relating to and arguments against wide parity clauses

171. From the outset it appears that wide price parity clauses embody elements that are likely to harm competition. Firstly, wide price parity clauses have the potential of foreclosing market entry or expansion of new or smaller platforms[680] as these disadvantage potential platform entrants especially those with low-cost business models by eliminating an entrant's ability to win customers away from incumbent platforms through lower prices[681]. For example, these platforms could lower their final prices by charging lower commissions for intermediation services. However, wide parity clauses limit the ability of small platforms from attaining market share through offering lower prices and passing on cost savings from reduced commissions on to customers in the form of lower prices.

172. Secondly, wide price parity restricts accommodation providers' ability to pursue a differentiated pricing strategy across platforms. For example, the accommodation provider might want to offer lower prices on a particular platform to attract a particular type of customer, however, wide price parity limits the accommodation provider's ability to do this[682]. In addition, accommodation providers would be prohibited from offering a lower price on a small or new platform relative to the price offered on an established platform[683]. Theoretically speaking accommodation

677 [redacted]
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680 Ambre Fellous, 2021. The prohibition of parity clauses in the online booking sector: A price war in perspective. *Competition Forum – French Insights*, 2021, art. n° 0010. Available at: https://www.competition-forum.com/. (Accessed on 14 January 2022).
681 Andre Boik and Davis and Kenneth S. Corts, 2016.The Effects of Platform Most-Favored-Nation Clauses on Competition and Entry. *Journal of Law and Economics, vol. 59*. The University of Chicago. Available at: https://www.journals.uchicago.edu/doi/pdf/10.1086/686971. (Accessed on 14 January 2022).
682 [redacted]
683 Solek Available at: https://www.linklaters.com/en/insights/blogs/linkingcompetition/2019/november/price-parity-clauses-and-online-platforms-is-there-a-new-way-forward. (Accessed on 22 March 2022).

providers can use price differentials to drive competition between platforms and in doing so reduce their dependence on established platforms, potentially improve their negotiating power, and leave them less susceptible to platforms unilaterally increasing commissions. The restriction for hotels to divert sales to cheaper channels imposed by wide parity may create the incentives for competing OTAs to simultaneously increase commission fees in equilibrium, resulting in higher distribution costs for hotels and in higher retail prices for travellers[684].

173. Thirdly, accommodation providers are not able to offer lower rates via independent promotions or tactical rates via alternate booking channels such as offline channels and their own websites. This includes being restricted from providing discounted prices to their direct and loyal customers. Enforcing wide parity prices would incorporate the full distribution cost (i.e., commissions paid to the platform), a cost that is avoidable and not necessary when the accommodation provider already has captured customers[685]. Ultimately, maintaining wide pricing parity may be considered akin to maintaining a price floor across online (i.e., and offline) distribution channels[686].

Evidence in relation to wide parity clauses

174. The Market Inquiry is of the view that the balance of the evidence supports the argument that competition is better off absent wide price parity clauses. This is because wide parity is likely to reduce price competition across platforms and is likely to further entrench the leading platform. Furthermore, maintaining price parity across various online channels is difficult and often out of the control of accommodation providers to maintain, especially in the case where wholesalers such as bed banks on-sell accommodation rooms. In addition, the Market Inquiry has evidence that the removal of wide price parity is likely to result in the reduction of prices and result in consumer savings. The following evidence and arguments support the Inquiry's views:

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[684] Ennis, S., Ivaldi. M., & Lagos, V. 2020. Price Parity Clauses for Hotel Room Booking: Empirical Evidence from Regulatory Change. Available at: https://www.tse-fr.eu/sites/default/files/TSE/documents/doc/wp/2020/wp_tse_1106.pdf. (Accessed on 31 March 2022)

[685] Andre Boik and Davis and Kenneth S. Corts, 2016.The Effects of Platform Most-Favored-Nation Clauses on Competition and Entry. *Journal of Law and Economics, vol. 59*. The University of Chicago. Available at: https://www.journals.uchicago.edu/doi/pdf/10.1086/686971. (Accessed on 14 January 2022).

[686] UK Competition and Markets Authority, Private Motor Insurance Market Investigation, Final Report dated 24 September 2013, para 8.40-43.

175. Firstly, there does not appear to be compelling arguments in place to support the notion that platforms are unable to recoup their investments absent wide price parity[687]. Furthermore, the efficiency argument put forward by Booking.com that the wide parity clause aims to ensure that travellers save time and effort, because they know that they will find the lowest price for the desired accommodation, does little to advance the argument of competition between platforms and is likely to dampen competition by enhancing dependency on the said platform.

176. Secondly, engagements with accommodation providers suggests that it is not easy to monitor adherence to price parity clauses, particularly wide parity clauses which cuts across a range of online distribution channels. Accommodation providers have raised frustrations around receiving bookings where it is not clear as to what the source of the booking is. Customers would book on an OTA, say Agoda, but the accommodation provider would not register that the booking comes from Agoda on its system. This is because OTAs have procured rooms from wholesale intermediaries such as bed banks and on-sells the rooms, often at a discounted rate. Similarly, an OTA might want to sponsor a discount on a room[688]. As such accommodation providers are not in full control of the final prices that appear across a wider spectrum of distribution channels and find it difficult to enforce. For example, an accommodation provider felt compelled to invest in a rate shopper to monitor prices across various channels[689] in order to comply with wide price parity restrictions.

177. Thirdly, accommodation providers note that they would like more flexibility to price freely, and this would have more benefit to consumers. For example, ATKV notes, "*I think from a business perspective for us, the restriction of having to have the same rate across all platforms, makes it difficult to do targeted promotions, because the OTA's do serve different markets ... There is a reason why someone uses LekkeSlaap, or TravelGround or why they use Afristay or SafariNow.*"[690] Tripco notes that the application of wide parity "*could deter our establishments from giving us specials on occasion ... if they are not allowed in terms of other OTAs' price*

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[687] For example, platforms such as Booking.com have managed to remain highly profitable despite narrow parity being applied across most of Europe, its largest market. Similarly, a [redacted] platform such as [redacted] is profitable despite not actively applying pricing parity [redacted]. Furthermore, global platforms benefit from having their tech and platform development costs shared across numerous jurisdictions, suggesting that they are likely to enjoy economies of scale cost advantages relative to local platforms in any case and simply don't need wide parity protections.

[688] The Inquiry sent survey questions to a number of hotels and hotel chains. Several of these accommodation providers indicated that global OTAs offer their accommodation services on the platform at a discounted rate without their consent or prior approval.

[689] [redacted]

[690] ATKV, OS, p 22 - 23.

parities to give those specials[691]*". "One of the advantages to the local platforms is* [that they] *are driven by domestic tourism. Establishments are often happier to discount to locals*[692]". Furthermore, Mr du Plessis of ATKV notes that having differential prices across platforms in his personal view is likely to benefit consumers by noting "*If I were a consumer, I would want the best price. And I think if there is a restriction in place, that takes that opportunity away from me, that would be something that I would not agree with if I put my consumer hat on*"[693].

178. Fourthly, the Inquiry has found evidence of platforms sponsoring their own discounts to match lower prices found across other online channels[694]. This is indicative of price differentials rendering price competition through platform sponsored discounts. For example, observed platform sponsored discounts reflects actual and material cost savings to consumers[695] and is not a burden that accommodation providers must carry[696]. Furthermore, in a counterfactual world which is absent of wide price parity clauses, the value of such discounts and subsequent consumer savings are likely to be higher considering that there will not be pricing restrictions on alternative online channels. In reality, wide price parity restrictions appear to artificially prop up platforms' commission revenues as they do not have to compete on price with other online distribution channels[697]. Similarly, a leading platform can unilaterally raise average commissions over time by extracting more value from accommodation providers without incurring a customer-facing price disadvantage, as seen in the case of Booking.com (See Section 2.3.4 of the Report).

179. Fifthly, based on observations made by the Inquiry, wide price parity in conjunction with narrow price parity and heavy accommodation funded discounting on the platform, particularly by a leading platform, appear to play into the strategy of the platform being the cheapest price point at each iteration. The concern is that tools such as price parity are artificially constructed to

[691] Tripco, OS, 33 - 34
[692] Tripco, OS, 35.
[693] ATKV, OS, p 22.
[694] [redacted]
[695] [redacted]
[696] See discussion in Section 3.3. of the Report
[697] Because the counterfactual is that they would have to fund their own discounts to an extent to be competitive with other online channels.

keep consumers within the platform's ecosystem and to restrict search elsewhere[698]. This takes advantage of behavioural heuristics of consumers, particularly that of learned behaviour. For example, if a consumer conducts multiple searches and finds that a particular platform, say the leading platform, is always the cheapest, then he or she may stop searching after several iterations believing that future searches (or effort) will lead to the same result. Subsequently, the consumer effectively becomes captured by the platform. Supporting this observation, Lee and Chung (2019) find that cost savings (or discounts) are strong predictors of a travellers' intention to continue use of a specific OTA when booking hotels[699].

180. Lastly, the Redflank Business User Survey found that had the main platform, used by an accommodation provider, not restricted different pricing on other platforms, that[700] 25% and 50% of large and small metro-based hotels would offer a lower price on another online platform respectively; and 17% and 3% of large and small non-metro-based hotels would lower their prices on another platform respectively. Therefore, this shows that absent wide price parity, a substantial number of accommodation providers intend to offer lower prices on competing online channels. Accommodation providers have a freer hand to set lower retail prices for sales with third party distribution channel, as price competition between platforms keeps their commissions low[701].

Assessments of the move from wide to narrow parity clauses in the EU

181. Several EU Competition Authorities also monitored the transition from wide to narrow parity clauses 12 months after the change in 2016[702] and found that the switch from wide to narrow parity clauses by Booking.com and Expedia led to an increase in room price differentiation between OTAs by hotels in eight of the ten participating Member States[703]. Also 21% of hotels differentiated their prices between OTAs whereas 79% did not, although 47% of hotels were unaware of the changed parity terms. The main reason for price differentiating between OTAs was to increase the hotel's visibility on a particular OTA, whereas the reasons for not price

[698] Again, this is notwithstanding the fact that prices could be lower on other platforms absent parity restrictions.
[699] This was found for consumers outside of Korea. (Lee, H and Chung, N. (2019). Assessing the Factors that Drive Consumers' Intention to Continue Using Online Travel Agencies: A Heuristic-systematic Model Perspective. *Asia Pacific Journal of Information Systems Vol. 29 No. 3 (September 2019), 468-488.*, p.483)
[700] CC Survey conducted by Redflank. 2021, slide 95.
[701] Salvatore P & Kadambari P, 2021. Competitive Effects of Price Parity Agreements. Compass Lexicon. Available at: https://www.compasslexecon.com/the-analysis/competitive-effects-of-price-parity-agreements/11-15-2021/. (Accessed on 22 March 2022).
[702] The assessment was done short after the change to narrow parity, and it is possible that the sector might not yet have fully adapted to the change. This is highlighted as a limitation in paragraph 15(f).
[703] Report on the Monitoring Exercise Carried out in the Online Hotel Booking Sector by EU Competition Authorities in 2016. Available at: https://ec.europa.eu/competition/ecn/hotel_monitoring_report_en.pdf. (Accessed on 21 April 2022).

differentiating included: hotels not seeing any reason to treat its OTA partners differently; the hotel's OTA contract did not allow it to price differentiate; fear of penalization by OTAs to which the hotel did not give the lowest price; the difficulty of managing different prices on different OTAs, and not wanting the hotel's website to appear as more expensive than the OTAs. It was also found that the average effective rate of commission paid by hotels remained relatively stable or slightly decreased in the period from January 2014 to June 2016.

182. Ennis et al. (2020) modelled both a before-and-after and differences-in-differences assessment that followed the removal of wide price parity clauses in the EU. Hotels that were booked in 2014 before wide parity clauses were abolished and in 2016 after they were abolished were assessed. The authors found that the probability of the hotel's direct channel being cheaper on average than OTAs had significantly increased, at least for mid-level and luxury hotels[704].

Conclusion on wide parity clauses

183. There appears to be no compelling argument in favour of the implementation of wide price parity. No clear mechanism on how investments would be significantly harmed absent wide parity was articulated nor did the Inquiry find evidence of harm. Furthermore, competing platforms are also in the position where they need to recoup their investments. The efficiency argument of saving customers effort and time because they always get the cheapest price on a certain platform also embodies competition concerns as this suggests limiting shopping around and entrenching consumers into the platform's ecosystem[705]. This also increases dependencies of accommodation providers on the platform. Maintaining price parity over a wide range of distribution channels requires significant effort from accommodation providers and is something that is often out of their control. Furthermore, accommodation providers are restricted from pursuing a differentiated pricing strategy across a differentiated set of platforms. This means that niched platforms lose out on accommodation sponsored discounts especially where a significant proportion of accommodation providers have signalled that they intend offering lower prices on platforms other than their main platform. Lastly, the occurrence of OTA sponsored discounts suggests price competition where price differentials have existed, and removal of wide parity restrictions is likely to intensify this competition. In conclusion, it is highly probable that removing wide parity clauses will result in pro-competitive outcomes.

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[704] Ennis, S., Ivaldi. M., & Lagos, V. 2020. Price Parity Clauses for Hotel Room Booking: Empirical Evidence from Regulatory Change. Available at: https://www.tse-fr.eu/sites/default/files/TSE/documents/doc/wp/2020/wp_tse_1106.pdf. (Accessed on 31 March 2022).

[705] [redacted]

3.2.4. Narrow price parity clauses

Arguments for narrow price parity

184. The two main arguments put forward by OTAs delineating the rationale for implementing narrow price parity is that (i) it stops free-riding and (ii) it limits the billboard effect[706]. The rationale put forward by OTAs to implement pricing parity in general is to recoup the investments made into the platform[707] by generating incremental bookings for accommodation providers. The concern raised in relation to free riding is that if accommodation providers are given the leeway of offering a lower price on their own website and actively promote this, consumers will increasingly use OTAs to find a property (i.e., only use the search functionality) but conclude the transaction/ booking on the accommodation provider's website. Therefore, this would severely undermine the viability and consumer benefits of OTAs in the long run as they wouldn't be able to recover the costs of the investment required for the development and maintenance of a sophisticated and expensive marketplace. In addition, OTAs argue that accommodation providers already benefit from the so-called billboard effect[708] meaning that just by being visible on an OTA increases accommodation providers sales via other distribution channels. Expedia defines the billboard effect as the "*phenomenon that occurs when hotels see additional direct bookings on their own website after listing on an online travel agency (OTA). This is because potential customers first discover the listing on an OTA, and then visit the property's own website to directly book their trip*[709]". Based on this definition, alleged free riding is what results from the billboarding effect.

Theories of harm and arguments against narrow parity

185. Narrow parity clauses can potentially result in the same outcome as wide parity clauses[710]. The argument is that under narrow parity, accommodation providers will not have the ability to sell at lower prices through selected platforms as the accommodation provider will have to price its

706 [redacted]
707 [redacted]
708 [redacted]
709 Expedia Group. (no date provided) "Are you benefiting from the billboard effect? Available at: https://welcome.expediagroup.com/en/resources/hotel-distribution-strategy-resources-tips/how-to-make-the-billboard-effect-work-for-your-hotel#:~:text=The%20billboard%20effect%20is%20a,to%20directly%20book%20their%20trip. [Accessed on 20 April 2022].
710 Andrea Mantovani, Claudio Piga and Carlo Reggiani. 2019.Much ado about nothing? Online platform price parity clauses and the EU Booking.com case.

own distribution channel at the level of the highest price offered to a platform (also applying narrow parity). In other words, accommodation providers cannot selectively sell at cheaper rates through certain platforms without prejudicing their own online distribution channel. For example, a platform can set a high commission knowing that the 'narrow' parity agreement prevents the accommodation provider from using direct sales to undercut it[711]. Although an accommodation provider could set a lower price on rival platform, it would not have the incentive to do so because the lower price would undercut both the high-commission platform and its own (more profitable) direct online sales channel, which is tied to the price of the high-commission platform. Ultimately the accommodation provider would have incentive to provide its rooms at the same price on both platforms as to not undermine its own online channel. As such, the narrow parity agreement is likely to result in an outcome where wide price parity is applied and for reasons discussed previously, undermine platform competition.

186. Another issue with narrow price parity, like with wide price parity, is that it reduces the flexibility of accommodation providers to adopt their own pricing strategies and restricts their distribution mix[712]. For example, an accommodation provider can engage its own marketing campaign (e.g., invest in paid search) to attract customers directly to its website and wish to use cheaper prices as a selling point. Furthermore, it may have loyal customers (not part of a closed user group) or use its brand name to attract direct bookings. Narrow parity is likely to restrict accommodation providers from offering discounted prices to such customers on their own websites, when in fact OTAs played no role in acquiring these customers. Finally, narrow price parity drives further dependency on platforms by accommodation providers as there is no real price incentive for consumers to go direct if they are price sensitive.

Evidence in relation to narrow price parity

187. Before one considers the impact that no parity has on a platform's ability to recoup their investments, one needs to determine to what extent that these investments are affected by the billboarding effect and by extension free riding. Using desktop cross-browsing data for 2021 from Similarweb[713] one finds that cross-browsing, where one visits the platform's website and the accommodation provider's website on the same day is relatively low. While cross-browsing

[711] Salvatore P & Kadambari P, 2021. Competitive Effects of Price Parity Agreements. Compass Lexicon. Available at: https://www.compasslexecon.com/the-analysis/competitive-effects-of-price-parity-agreements/11-15-2021/. (Accessed on 22 March 2022).

[712] [redacted]

[713] Cross-browsing is determined by using the "Audience Interest" feature.

only examines the extent to which a user visits one site and then other related sites on the same day, it is not necessarily an indication of meaningful searches.[714] However, it does indicate the maximum extent to which a customer makes a search on both the OTA and accommodation provider's website on a given day (i.e., it represents the maximum threshold that "free-riding" exists). The extent of cross-browsing is relatively low with only 10.9% of visitors to Booking.com[715], 13% of visitors to Agoda.com and 18.2% of visitors to za.hotels.com[716] also visiting the websites of accommodation providers on the same day[717]. Furthermore, many of the hotel websites had high bounce rates, ranging between 29% and 66%, suggesting that just over a half of the visitors to these websites searched in a meaningful way.

188. When it comes to actual incidence of free-riding, engagements with the marketplace suggests that the extent is very low. For example, Tripco, the owner of the largest domestic platform, notes that the extent of billboarding is a very small fraction of total establishments and accounts for 1% or less[718]. Tripco notes that "*for the majority of places, it is financially beneficial for them not to billboard and to actually get more bookings*"[719]. One last argument against the notion of free riding is that accommodation providers have little incentive to do so. As discussed in Section 4.1. of the Report obtaining good visibility on an OTA's platform is very important to drive bookings. A factor that generally features strongly in overall ranking is the rate of conversion[720]. By driving traffic to its own website, an accommodation provider is likely to reduce its conversion rate[721] and by extension its visibility on the platform.

189. Secondly, the absence of narrow parity is likely to free accommodation providers to adopt a pricing strategy and distribution mix that is suitable to them. Notwithstanding the arguments put forward by ATKV and Tripco in the wide price parity section, other accommodation providers have indicated that they would like the freedom to manage their own pricing strategy. For example, an accommodation provider noted that if it "*wants to sell a room that is, say R100*

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[714] In fact, customers could simply be shopping around or multihoming platform and hotel chain websites i.e., there is no causal link between finding a room on the platform and then going onto the establishments website to find that room. Also, customers could arbitrarily click on a hotels website and find that it is not relevant. Bounce rates typically demonstrate this. [redacted]

[715] Over the period February 2021 to January 2022

[716] Over the period March 2021 to February 2022

[717] This was assessed across 28 accommodation platforms including but not limited to the largest domestic and international hotel chains, apartment rentals, resorts and clients (by revenue) of the aforementioned platforms.

[718] Tripco, OS, p.31

[719] Tripco, OS, p.31

[720] Maher (2016). Understanding the Science Behind Expedia's Marketplace. Expedia White Paper., p.2[redacted]

[721] Considering that fewer converted bookings on the platform would follow per impression if a user "free rides".

cheaper than anywhere else on the market, [it] would like the flexibility to do that"[722]. Another accommodation noted that absent price parities, it would price between 5 to 10 percent less on its own channels to get more bookings and discount more freely[723].

190. On that note, the benefit resulting from the removal of narrow price parity is that a significant number of accommodation providers indicated in the Redflank Business User Survey that they would reduce prices. For example, 38% of small metro hotels, 55% of small non-metro hotels, 38% of large metro hotels and 33% of large non-metro hotels indicated that they would lower prices on their own websites had the main platform they use not restricted different pricing[724]. Lastly, as with wide pricing parity, monitoring and maintaining narrow price parity is made difficult especially in a market that applies dynamic pricing[725].

Findings by the Bundeskartellampt

191. The German National Competition Agency, the Bundeskartellampt, decided to prohibit the use of wide price parity in mid-2015, and narrow price parity at the end of 2015. Subsequently there has been no parity since early 2016[726]. In preparation for its appeal at Germany's highest court, The Federal Court of Justice, the Bundeskartellampt conducted an investigation to examine the extent of free riding. The benefit of the investigation in Germany was that it was able to assess the effects of price parity in a market over a period where wide, narrow and no parity had prevailed (between 2015 and mid-2018). The investigation[727] showed the following findings after the removal of price parity clauses:

(i) Booking.com had not been harmed nor did it incur any losses in its accommodation platform business located in Germany. Instead Booking.com had been able to consolidate its market position further as the largest platform in Germany and achieve increased growth rates.

(ii) Accommodation providers deliberately use their new scope for pricing flexibility in a sales mix that makes strategic sense to them. The Bundeskartellampt found that more than half

[722] [redacted]
[723] [redacted]
[724] CC survey conducted by Redflank, (2021), slide 95.
[725] See Section 2.3.2. of the Report.
[726] Bundeskartellampt, 2020. The effects of narrow price parity clauses on online sales – Investigation results from the Bundeskartellamt's Booking proceeding. *Competition and Consumer Protection in the Digital Economy.* p.2.
[727] Bundeskartellampt, 2020. The effects of narrow price parity clauses on online sales – Investigation results from the Bundeskartellamt's Booking proceeding. *Competition and Consumer Protection in the Digital Economy.* p.3 - 8.

of the accommodation providers make use of the options for price differentiation vis-à-vis Booking.com and their own website. The Competition Agency concludes that absent price parity each hotel can apply its own online and offline sales strategy, including the extent and frequency of price differentiation vis-à-vis the level of commission rates, its own distribution costs, and other standards relevant to the hotel. Furthermore Booking.com has not been harmed by this pricing freedom that accommodation providers have which are largely still dependent on the platform for distributing accommodation[728].

(iii) Most consumers do not compare room prices but book where they first found a room, which rules out any significant free-riding activities. The investigation also found that consumers book on the website where they first found the accommodation, so they don't end up booking directly with the hotel if they first found the accommodation on a platform. About 99% of all consumers who found their accommodation on Booking.com also booked it on Booking.com[729], hence eliminating any significant concerns relating to free riding.

(iv) An accommodation's own online direct sales channel is significantly used by consumers who already knew the accommodation before they made a booking. About one-third of consumers already knew the accommodation before booking.

192. It is noteworthy that the Federal Court of Justice annulled the decision of the Düsseldorf Higher Regional Court and rejected Booking.com's appeal. The Federal Court of Justice concluded that "*the operation of a hotel booking platform results in significant efficiency gains both for consumers and the hotels connected. With its search, compare and booking functions the hotel booking platform offers consumers a convenient and attractive bundle of services which, in this form, is not available elsewhere. The hotel booking platforms provide the hotels with the advantage of significantly greater customer reach. However, the narrow price parity clause is not a precondition for these efficiency gains. Although the existence of a free-rider problem cannot be ruled out, the Bundeskartellamt's further investigations and Booking.com's assertions have not shown any indications that this problem severely threatens the efficiency of the services offered by the platform. On the other hand, however, the narrow price parity*

[728] P.4. notes that even though hotels can offer their own online real-time booking facilities, around three quarters of the generally increasing online sales are still generated via online platforms where about two-thirds of the accommodation providers that use Booking.com note that it had become "almost indispensable in economic terms" for them.
[729] Like the Similarweb data portrayed in the narrow parity evidence section, the Bundeskartellampt notes that only one-third of consumers actually compare the prices of a particular accommodation online, but the actual incidence of free-riding is less than 1%.

clause significantly restricts the online sales managed by the hotels themselves without using the platform[730]".

Conclusion on narrow price parity

193. The major argument put forward by OTAs for the implementation of narrow parity is that it limits the billboard effect and subsequent free riding. The Inquiry finds that incidence of free riding is likely to be very low, less than 1% by accounts given by Tripco and the findings of the Bundeskartellampt. On the other hand, there is an argument that narrow parity restricts the ability of accommodation providers from offering discounts on selected platforms for reasons discussed which reinforce a wide parity outcome. Notwithstanding this, it is clear that accommodation providers wish to adopt their own online pricing strategies and distribution mix and that not all online sales were influenced by an OTA. Between 38% and 55% of accommodation providers indicated that they would offer lower prices on their own websites absent pricing restrictions. This is compelling evidence of the benefits to accommodation providers and a likely pass through of discounts and cost-savings to consumers. In sync with Germany's Federal Court of Justice's conclusion, the Inquiry is of the view that the pro-competitive outcomes and consumer benefits arising from no parity are likely to outweigh any efficiency and free-riding concerns that may arise, especially considering that narrow price parity is not a precondition for the efficiency gains generated by booking platforms.

Box 6: Key findings on price parity clauses

Price parity clauses are a common feature of travel and accommodation platforms operating in South Africa with wide parity clauses typically present. While travel service providers do not face overt delisting as punishment for not adhering to price parity, the Inquiry finds that platforms enforce compliance with the threat of penalising the ranking or visibility of travel service providers or removing their special partner status if they do not adhere to parity restrictions. This form of enforcement is effective, as the Inquiry has found that accommodation providers, for instance, go as far as investing in rate shoppers to monitor price differentials along various online distribution channels to ensure that they are compliant with price parity clauses.

[730] Bundesgerichtshof (2021). Federal Court of Justice confirms illegality of Booking.com's narrow price parity clauses.

There appears to be no substantive argument justifying the use of wide parity clauses. In fact, the rationale for maintaining wide parity clauses provided appears to be about keeping consumers within the platform's ecosystem (i.e. limit shopping around). Studies on the removal of wide parity restrictions in Europe, for example, show a reduction in price along certain categories of hotels. Similarly, the Inquiry finds evidence of platform funded discounts to match lower prices found on competing channels. This is indicative of potential price competition between platforms which could be intensified if pricing restrictions were removed. Wide parity removes the ability of new and small platforms to compete on price by lowering their commissions to gain market share. Furthermore, the Redflank Survey also found that hotels would price cheaper on other channels were there no wide parity restrictions in place. Lastly, wide parity is part of the toolbox that leading platforms can use to take advantage of consumer behavioural heuristics where learned behaviour from "failed searches" for cheaper prices is likely to diminish future searches on competing platforms over time.

The main argument for narrow parity is that it is needed to deter free-riding and billboarding. In Germany, The Federal Court of Justice found no significant evidence of free-riding and engagements with a local OTAs suggest that incidences of free-riding are likely to be less than 1%, corresponding with findings by the Bundeskartellampt. This is further corroborated with evidence of low incidence of cross-browsing behaviour between the platform and accommodation providers' own websites. A further concern with narrow parity is that it is likely to result in wide parity outcomes as business users are likely to have little incentive prejudicing their own distribution channels. Furthermore, evidence from the Redflank Survey suggest that hotels would price cheaper on their own websites and that they are freer chasing their own online distribution strategy absent narrow parity restrictions. Broadly speaking, the benefits of removing narrow parity far outweigh the alleged concerns of free-riding and efficiency concerns which appear to be mostly overplayed.

3.3. Accommodation funded discounts and impact on competition

194. The Inquiry notes that a common feature of travel and accommodation platforms, in particular OTAs, is the promotion of numerous discounted rooms, mostly funded by accommodation providers. As discussed in section 2.3.5. of the report OTAs run several programs in which accommodation providers offer rooms at a discount, in some cases up to 40%, in exchange for

better ranking or visibility on the platform. This also applies to an OTA's loyalty program such as the Genius 10% discount provided by accommodation providers on the platform. OTAs appear to attract customers by providing a combination of (accommodation funded) discounted rooms to draw customers in and sponsored rankings which generate more commission revenues for the platform in the top search results[731]. The combination might vary from person to person due to personalized attributes. For example, a budget traveller might receive a higher proportion of discounted rooms displayed on the platform's search results.

195. The rationale for such a stratagem is to offer compelling prices to customers, attract volumes of bookings, and maximize revenues by mixing high commission paying establishments with discounted rooms in prominently listed results.[732] This creates a dual duality. The first duality is that discounted rooms do in fact create compelling price propositions for customers but at the same time entrenches a platform's position. This is because consumers benefit from lower prices, thereby enhancing consumer welfare, but at the same time strengthening consumer loyalty, thereby weakening their resolve to multi-home over time[733]. In the case of a leading platform, it can leverage its power in the form of its prominence as the platform with the most compelling prices and customer loyalty, in order to command high values of accommodation funded discounts[734]. This, coupled with pricing restrictions in the form of price parity clauses, reinforces the notion that it is the platform with the most compelling offer, thereby reinforcing a virtuous (or vicious) circle which entrenches the platform. As discussed under wide parity, continued (accommodation funded) discounting reinforces the notion that the platform always has the best deals, and this becomes learned behaviour over time whereby customers stop searching other platforms altogether.

196. With respects to the second duality, accommodation providers may feel compelled, on the one hand, to provide accommodation funded discounts in exchange for better visibility on the platform. On the other hand, accommodation providers may be willing to offer discounts as they

731 [redacted]

732 [redacted]

733 Following learnt behaviour, after having conducted several searches for the most compelling offer, a consumer might settle with the platform that most frequently provides the most compelling offer. The same customer thus conducts fewer searches going forward beyond the platform he or she has become accustomed to.

734 Typically, in exchange for improved visibility on the platform.

serve as another tier of customer acquisition, or it assists them in selling excess rooms it would not otherwise sell[735] and can therefore be said to be efficiency enhancing.

197. When considering the impact of discounting on platform competition, one considers the ability of the leading platform to discount and leverage its leading platform power to solicit business user sponsored discounts to further entrench its leading position. This can be done by assessing whether the competitors of the leading platform can reasonably replicate its discounting in terms of scale and magnitude. In this regard, the metric to assess is the total value of discounts to total commissions earned by the platform.

198. The Inquiry has obtained information on the scale of accommodation funded and platform funded discounts of the leading platform. Furthermore, the Inquiry has obtained some information on whether smaller competing platforms can reasonably replicate the same degree of discounts offered by the leading platform[736]. A review of the scale of accommodation funded discounts on the leading platform indicates that it is huge[737]. Figure 29 below illustrates the total value of discounts funded by accommodation providers and by Booking.com[738], [redacted] Again, a leading platform can leverage its leading platform status to extract accommodation funded discounts in exchange for improved visibility on the platform. The preliminary view is that competing platforms are unlikely to match the extent to which the leading platform can extract accommodation funded discounts given that they do not wield as much power as the leading platform in attracting customer traffic.

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[735] For example, an accommodation provider may have 40% of room capacity unoccupied for a given date and sell these rooms through heavy discounting.

[736] The Inquiry will make further requests for information in this regard.

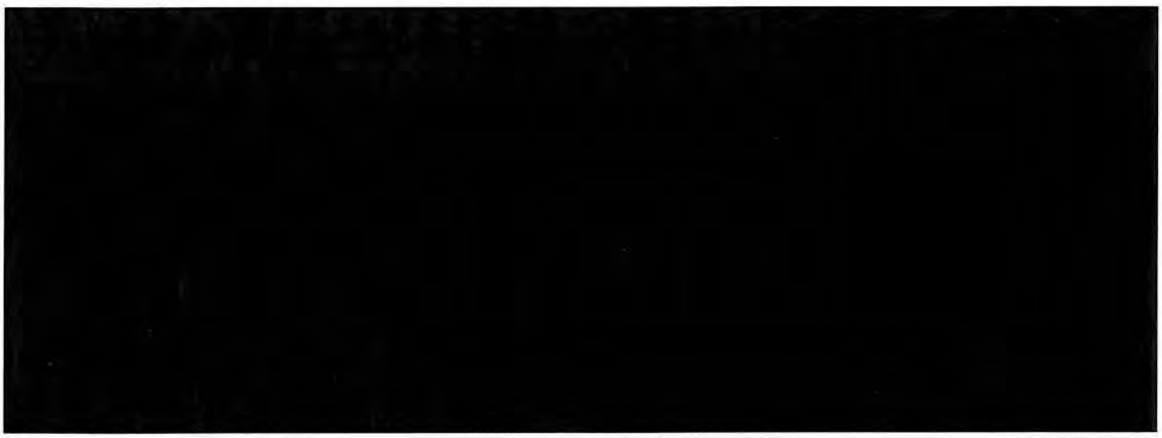
[737] [redacted]

[738] [redacted]

[739] [redacted]

[740] For example, Lekkeslaap, the second largest OTA in South Africa, notes overall savings of more than R 12 million for its Lekkeplus members to date. [redacted] Lekkeslaap (2022). Lekkeplus. Available at: https://www.lekkeslaap.co.za/lekkeplus [accessed 23 June 2022].

Figure 29: Total value of accommodation and platform funded discounts on Booking.com (Rand millions), 2018- 2021 (H1)



Source: Commission's own.[741]

Box 7: Key findings on accommodation funded discounts and impact on competition

Platforms can provide improved visibility on the platform in exchange for accommodation funded discounts. This creates a dual duality in that on the one hand it entrenches a platform and other the hand it results in consumer savings, and that it can either be exploitative or efficiency enhancing for accommodation providers. Despite this, a leading platform is likely to leverage its superior access to consumer traffic to extract large amounts of accommodation funded discounts. This is likely to further entrench the leading platform as a deeper and broader suite of discounts is likely to reinforce consumer traffic and consumer learned behaviour, the notion that the leading platform is always the cheapest. This in turn distorts competition unless smaller platforms can reasonably replicate the same level of accommodation funded discounts.

The current view is that competing platforms cannot attract the same level of accommodation funded discounts as Booking.com and this is likely to further entrench the platform and reinforce dependency on it by accommodation providers.

741

3.4. Corporate tax and competition on the platform

199. The presence of global digital platforms in domestic markets, particularly in the online travel and accommodation intermediation sector, raise potential competition concerns in relation to taxation, in particular corporate tax. Considering that both domestic and global platforms operate within South Africa providing online travel and accommodation intermediation services to travellers, they both materially impact competition in the South African market. Similarly, favourable tax rates can give competitive advantages to those who receive them such as cost and price advantages, as well as more profits to reinvest. Currently the corporate tax rate in South Africa is relatively high at 28%. US based company's such as Airbnb pay corporate tax of 21%[742], and Singapore charges 17% corporate tax where platforms such as Agoda operate. Booking.com currently falls in under Dutch corporate tax law, where a portion of its profit benefits from an "Innovation Box Tax" which was 7% and recently changed to 9% in 2022[743]. This translated into a $443 and $230m cost saving advantage in 2019[744] and 2021 respectively[745]. Similarly, domestic platforms would have had significant cost savings that could have hypothetically been passed on to consumers in the form of lower prices or reinvested in the platform had it had the same corporate tax advantages as the global platforms[746].

200. The OECD or G20 Base Erosion and Profit Shifting Project's Two-Pillars[747] solution to address the tax challenges arising from the digitalisation of the economy, propose a global minimum tax (or tax floor) of 15% on all multinational enterprises with an annual revenue of over €750m[748].

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[742] Airbnb SEC Form S-1 (2020), F-64. Available at: https://www.sec.gov/Archives/edgar/data/1559720/000119312520294801/d81668ds1.htm#toc81668_24; (Accessed on 12 May 2022).

[743] Booking Holdings Annual Financial Statements for the year ended 31 December 2021, SEC 10K filing, p. 55.

[744] In 2019, Booking.com's effective tax rate was 17.4%, 10.6 percentage points (or 38%) lower than South Africa's corporate tax rate. "Booking.com Holding B.V. Annual Report 31-12-2019")

[745] Booking Holdings Annual Financial Statements for the year ended 31 December 2021, SEC 10K filing, p. 116. Available at: https://ir.bookingholdings.com/financials/annual-reports/default.aspx [accessed 12 July 2022]..

[746] For example, had [redacted] had the same effective corporate tax rate as Booking.com, it would have had an additional [redacted] in profit in 2019 which it potentially could have reinvested or passed through to consumers in the form of discounts or lower prices, making it more attractive. Own calculations by [redacted]

[747] The OECD has recently published the Global Anti-Base Erosion Model Rules ("GLoBE"), which provides a plan and framework for member countries to address tax challenges arising from the global digital economy. The key component of GloBE's plan is to ensure that large multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions where they operate, the rules also provide for a co-ordinated system of taxation. (See: OECD. 2021. Tax Challenges Arising from the Digitalisation of the Economy Global Anti-Base Erosion Model Rules [Pillar Two]). Available: https://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two.pdf (Accessed on 10 May 2022).

[748] OECD/G20 Base Erosion and Profit Shifting Project. Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, October 2021. Available at: https://www.oecd.org/tax/beps/brochure-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf (Accessed on 13 May 2022).

Again, this does not address imbalances that corporate taxes have on competition given that South Africa's corporate tax is 87% higher than the Two-Pillars solution.

Box 8: Key findings on corporate tax rates and its impact on platform competition

Corporate tax rates are lower for global platforms operating in South Africa relative to its domestic based rivals. This gives global platforms cost and subsequently competitive advantages vis-à-vis their domestic rivals. These cost savings can be used to provide discounted prices, spend on marketing, or reinvest in the platform which increases the appeal of global platforms to travellers in South Africa relative to domestic platforms.

3.5. Additional issues on platform competition

3.5.1. Potential competition concerns explored but no clear evidence of anticompetitive effects

Metasearch engines self-preferencing OTAs in own stable

201. The Market Inquiry explored whether metasearch engines might self-preference OTAs that are within the same holding company as the metasearch engine. This draws off the economic notion of portfolio effects. Portfolio effects, also known as conglomerate effects or clustering markets[749], arise from an expansion of a company's product or service offerings across complementary markets creating an "ecosystem" and a feedback loop that cements its position[750]. In this case, the Inquiry considered whether OTAs belonging within the same stable as metasearch service providers, enjoyed benefits of belonging to the same holding company such as (i) better pricing, (ii) better visibility and (iii) better access to commercially sensitive data and information relative to competing OTAs that would further entrench the said OTA's market position. With respects to each of the following, the Inquiry found that:

[749] Hovenkamp (2021). Identifying the Market in the Facebook Antitrust Case. Available *[Online]:* https://promarket.org/2021/04/27/cluster-market-ftc-facebook-antitrust-case/ (Accessed on 3 May 2022).
[750] Competition Markets Authority (2020). "Online Platforms and Digital Advertising". p. 56.

(i) Most of an OTA's expenditure is not necessarily on a metasearch engine within its own stable[751]. Preferential pricing, hypothetically speaking, is likely to have a limited anticompetitive effect as OTAs spend a relatively small portion of their metasearch budget on the metasearch site within their own stable.

(ii) There is no clear evidence of better visibility for OTA's on a metasearch site belonging to the same stable of platforms. OTAs note that most metasearch sites rank OTAs based on a combination of factors[752] and where the weight of each of these factors are not disclosed. Furthermore, OTAs note that they do not have visibility over the detailed functioning of metasearch sites, their ranking algorithm and the impact of payment on ranking considering that they transact with these metasearch sites at arm's length[753]. Nor, upon inspection, did the Inquiry observe any clear biases in visibility towards OTAs within their own stable.

(iii) The Inquiry observed no clear evidence of preferential access to commercially sensitive data. The type of information that is shared is the information necessary for a metasearch to perform its operations. For example, an OTA will share information about available establishments on its platform, rates and availability, and bid related information specific to the OTA. A metasearch engine, in some cases, will share feedback relating to the performance of the OTA such as click and cost reports, click-share reports and auction insights. The holding companies of the travel and accommodation platforms appear to have policies in place that restrict the flow of commercially sensitive information between platforms[754]. Holding companies assert that their metasearch and OTA platforms operate at arm's length and that "Chinese Walls" regulating the flow of information are in place. The only information that appears to be shared by a platform and across a holding company that may give an OTA a competitive advantage is the personal information of

751 [redacted]

752 Such as predicted CTR's, bids/revenue for a given hotel, and quality measures of some technical aspects such as the landing price accuracy on the OTA vis-à-vis against what is displayed on the metasearch site, the time it takes for the website to load, etc.

753 [redacted]

754 [redacted]

users (e.g., information obtained by cookies)[755]. This advantage results in an OTA's ability to cast its net wide across its holding group's portfolio of platforms to attain a disproportionate amount of personal user information relative to independent platforms.

202. While there appears to be no evidence of metasearch engines self-preferencing OTAs in their own stable at present, this could change if any given metasearch becomes indispensable and important in driving leads. For example, if a metasearch engine were to become a leading platform and a more important part of the consumer journey in travel and accommodation, this may incentivize the respective holding company to self-preference its own platforms within its portfolio. For example, we find evidence of Google self-preferencing its own Travel Unit and the Inquiry is of the view that holding companies of travel and accommodation platforms are not immune to self-preferencing should market dynamics change to render such behaviour.

Bundled foreclosure

203. The Inquiry assessed whether competition concerns would arise from bundled foreclosure. Concerns around potential bundled foreclosure related to OTAs pursuing a long-term "Connected Trip[756]" strategy where travel and accommodation products would be sold together, and the OTA would serve as a "one-stop-shop". This could take place through a discounted bundled package offering or an upsell[757]. For example, a customer starting his or her purchase with a hotel, might opt to rent a car or plan an activity in the same or subsequent transaction with the same platform. Furthermore, there were indications that some OTAs might leverage their terms of service to obtain accommodation funded discounts[758] that would enable it to sell or upsell a bundled travel and accommodation offering at a discounted rate[759]. The concern was that this would lead to stave individual sellers of accommodation, flights, car rentals, activities etc. off business and result in their eventual foreclosure, hence bundled foreclosure.

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755 [redacted]

756 Booking Holdings SEC 10-K Form for the year ended 31 December 2020, p. 3

757 An upsell occurs when a platform attempts to convince a customer to purchase an additional item following his or her primary purchase, often incentivising the customer with a discounted price. For example, an airline might push the sale of a car rental by advertising it (say via email) following the purchase of a flight.

758 [redacted]

759 Bundled products also have the benefit of being opaque in that it is difficult to trace the source of the discounted product in the overall bundled offering.

204. The aforementioned is a description of how bundled foreclosure could take place in travel and accommodation. Having said that, however, the Inquiry has found no evidence to support the notion that bundling of travel and accommodation products in its current form is likely to result in the foreclosure of competitors. The Inquiry has found using data submitted across various platforms that for each calendar year between the period 2018 and H1 2021: bundles linked to accommodation ranged between 1% and 3.8% of transactions, bundles linked to flights ranged between 0.7% and 6% of transactions, bundles linked to car rentals were higher at between 3.1% and 19%. This suggests that overall, the proportion of bundled purchases are relatively low when compared to the sale of individual units of travel and accommodation. Furthermore, overall sales values of adjacent travel and accommodation services are significantly low when compared to the main service offering. For example, an OTA predominantly selling accommodation, typically reports a low value of earnings on car rentals, flights, activities etc.

205. To conclude on bundled foreclosure, there does not appear to be evidence to suggest distortions in competition at present. But given the fact that these OTAs may desires and future strategies of being a one-stop-shop, it is likely that platforms within a holding group will work together to fulfil this goal[760]. As such potential competition distortions in this regard need to be monitored going forward.

3.5.2. Issues raised but not within the scope of the Inquiry

Potential concerns with GDS

206. As mentioned, GDS features strongly in the online (and offline) distribution of flights. GDS have been around since the 1960s and were some of the first companies in the world to facilitate business to business (B2B) electronic commerce[761]. GDS are viewed as legacy systems, but their value proposition is that (i) they offer rich (unparalleled) content[762] and (ii) domestic carriers can sign interline agreements with international carriers to facilitate multiple flights. This means

[760] [redacted]

[761] What is a global distribution system (GDS) and is it right for your hotel? *Siteminder*. Available at: https://www.siteminder.com/r/global-distribution-system/ (Accessed on 17 March 2022)

[762] For example, availability of airlines around the world from obscure to popular destinations, and availability of cruise ships, hotels, and car rentals. [redacted]

that travellers can reach obscure destinations[763] using a variety of connecting flights with availability updated in real time[764]. In South Africa, GDS distribution is concentrated with the three players being Amadeus, Sabre and Travelport[765]. Two issues arise with GDS: (i) they are considered to be expensive particularly by low-cost carriers[766] and (ii) apply full content parity[767] and appear to apply price[768] parity. It has been noted that total GDS costs can snowball very quickly[769], can account for a significant portion of revenue for tickets sold through GDS[770], and is restrictive for new entrants into the travel market due to the cost of hosting[771]. Flight ticket distribution is typically the 3rd largest cost for an airline[772].

207. The South African flight market has been heavily dependent on GDS for air ticket distribution[773], however, content aggregators such as Travelfusion and South African based Trans-end, and "corporate self-booking" tools (e.g., Travel IT) have entered the market[774]. This has made the B2B flight distribution market more competitive, particularly for low-cost carriers "LCCs"[775]. For example, low-cost carrier Kulula.com has broken away with GDS and partnered with Trans-end[776]. The market opened because of the introduction of New Distribution Capabilities "NDC"[777], "*a travel industry-supported program launched by IATA for the development and market adoption of a new, XML-based data transmission standard (NDC Standard). The NDC Standard enhances the capability of communications between airlines and travel agents and is open to any third party, intermediary, IT provider or non-IATA member, to implement and*

[763] To OTAs, the value proposition is that it facilitates international flights. [redacted]

[764] [redacted]

[765] With Amadeus being the largest GDS (having earned [redacted] in 2021), followed by Travelport (having earned [redacted] in 2021) and then Sabre, a relatively new GDS. [redacted]

[766] [redacted]

[767] Full content parity means that airlines need to provide the same or better content to the GDS relative to that offered to other distributors of flights (including competing GDS) and the airlines own distribution channels for flights. The application of full content commitment varies across GDS'. [redacted]

[768] Travelstart notes that one of the bad things about GDS is their inability to allow price differentiation. (TS OS, p.4)

[769] For example, according to submission by [redacted] booking fees range between [redacted] whereas content aggregators charge a flat fee of [redacted].

[770] [redacted]

[771] [redacted]

[772] After fuel and salaries [redacted]

[773] [redacted]

[774] [redacted]

[775] [redacted]

[776] Robertson (2021) Kulula bows out of GDS. *Travel News*. Available at: https://www.travelnews.co.za/article/kulula-bows-out-gds (Accessed 17 March 2022).

[777] [redacted]

use[778]". While LCC's benefit from NDC, not all traditional full-service carriers "FSC's" have adopted the use of NDC[779]. Lastly, further competitive pressure on GDS has been applied by airlines choosing to disintermediate B2B intermediaries through direct integration with travel agents[780].

Full content parity agreements

208. Another practice that may impact competition is the application of full content parity agreements typically applied by GDS'. Full content agreements require that airlines offer the GDS the same or better access and expediency to content, fares, data, functionality, inventory and availability that is offered to other distribution channels (online and offline) as well as the airline's own distribution channels[781]. These full content parity clauses seek to ensure that GDS' have access to the broadest range of content. GDS' value proposition is that they create an environment where one can connect a passage of transport between two obscure destinations across the globe due to their unparalleled access to content and interline agreements. However, GDS' are often criticized for being expensive, thereby raising distribution costs and being one of the largest airline costs. The ability to charge high prices is likely due to the dependency that airlines have on GDS'. The European Commission also investigated Full Content Agreements between airlines and Sabre and Amadeus since November 2018[782]. The case was recently dismissed on the grounds of insufficient evidence; however, it was not to say that the agreements complied with EU competition rules.

209. In addition, GDS intermediaries appear to have put in restrictions in their contracts that limit direct and indirect integrations with its other GDS suppliers (e.g., other airlines)[783]. While the Inquiry has not received complaints in this regard, such restrictions, together with full content parity agreements, may raise competition concerns in light of the fact that they are likely to entrench dependencies on GDS'. For example, they may restrict airlines from establishing their own interline agreements. The Inquiry recommends that the Competition Commission looks to understand this more and initiate an investigation if required.

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778 IATA. Distribution with Offers & Orders (New Distribution Capability). Available at: https://www.iata.org/en/programs/airline-distribution/retailing/ndc/ (Accessed on 17 March 2022).

779 [redacted]

780 [redacted]

781 Collated from various GDS contracts.

782 Kevin May. 2021. Regulator Ends Antitrust Probe into Sabre and Amadeus Over Air Distribution Deals. Phocus Wire. Available at: https://www.phocuswire.com/Regulator-ends-antitrust-probe-into-Sabre-and-Amadeus-over-air-distribution-deals. (Accessed 0n 12 April 2022)

783 [redacted]

3.5.3. Potential issues for further inquiry and research

Exclusive agreements

210. The Market Inquiry explored whether there are exclusive clauses in the online travel and accommodation intermediation and found that such clauses are present at a B2C and B2B level [redacted]. Lastly, one of Hostelworld's publicly available presentations identified exclusive access to 27% of inventory, as one of the platform's strengths.[790] However it submitted to the Inquiry that [redacted] The Inquiry will further engage with Hostelworld as to the nature and extent of its exclusive access to hostel inventory. These exclusive arrangements need to be further investigated to determine the impact that they may have on business user and platform competition in this Inquiry.

Rate Shoppers

211. The Inquiry has observed that travel and accommodation providers are using automated rate shopping tools such as RateGain or Fornova to track the real-time prices and average daily

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784 [redacted]

785 [redacted] p.27

786 [redacted]

787 For example, [redacted] (CarTrawler WS3, para. 16)

788 [redacted]

789 [redacted] (Hotelbeds, WS3, Annex 1). The Inquiry still needs to ascertain the competitive impact of this.

790 Hostelworld. 2018. Capital Markets Day. Slide 23. Available online: https://www.hostelworldgroup.com/~/media/Files/H/Hostelworld-v2/reports-and-presentations/cmd-29-nov-18.pdf

791 Hostelworld, WS2. Paragraph 6.

rates of thousands of their competitors across numerous online booking channels[792] by trawling millions of different price points which suggest a price for the accommodation provider[793], and can be used to set their dynamic rates[794]. OTA's also use rate-shoppers to monitor the pricing of accommodation providers and to recommend prices to hotels and other travel service providers, as part of their own service offering. Similarly, rate shoppers are used to monitor price parity across various online distribution channels, as discussed in section 3.2 of the report. The economic impact of rate shopper software suggesting prices to travel, and accommodation service providers is unclear. On the one-hand they appear to reduce information asymmetry relating to pricing and deal with changing market dynamics, but on the other hand they are suggesting prices which may erode consumer surplus[795] by capturing each consumer's willingness to pay. Furthermore, it is unclear to what extent rate shoppers might facilitate collusion and tacit collusion, if at all. Therefore, further research is needed on the net impact that rate shoppers are likely to have on competition, and producer and consumer welfare. The Inquiry will endeavour to undertake further research in this regard in the final stage of the process.

Global platforms and value added tax (VAT)

212. The Inquiry needs to further understand whether VAT applied to or paid by global platforms operating in South Africa gives them undue advantages relative to domestic platforms. This may impact competition between domestic and global platforms if global platforms are not paying or paying less output VAT relative to domestic platforms. This can potentially give a global platform a 15% price advantage assuming that it does not pay output VAT and neither it nor its rivals are charged input VAT. While this example is a theoretical extreme, the Inquiry needs to understand how VAT, both at an output and input level, might impact price differentials between global vs domestic platforms. The Inquiry will engage with the relevant stakeholders during this process to understand the impact that VAT has on competition between domestic and global platforms.

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[792] Jake Sudduth, 2022. Nsight. The Importance of Rate Shopping Your Competition. Available at: https://www.nsightfortravel.com/blog/the-importance-of-rate-shopping-your-competitionstrong. (Accessed on 12 April 2022).

[793] [redacted]

[794] Reuters Events Travel, 2011. Is Rate Shopping an intelligent approach to increase topline for Hotels? Available at: https://www.reutersevents.com/travel/distribution-strategies/rate-shopping-intelligent-approach-increase-topline-hotels. (Accessed on 12 April 2022)

[795] If the price suggested by the rate shopper is higher than the price set to the consumer absent the rate shopper, then some of the consumers surplus would be transferred to the producer.

Google Pay

213. Further attention needs to be given to Google Pay both in the context of online travel and accommodation intermediation and in the broader context of Google further benefiting and entrenching itself in terms of its access to transaction level data. In the online travel and accommodation sector, Google offers a feature called "Book on Google"[796]. This feature allows users who are booking with an OTA or airline to complete their transaction with the OTA or airline while staying on Google. If a user is logged in on his or her Google Account, a booking can be completed quickly and securely using contact and payment information stored on the users account[797]. While this service may be seamless to users, it raises the following potential concerns: firstly, Google could potentially have access to an OTA's transaction level data (through Google Pay) and subsequently would have further intimate insights into commercially sensitive data such as conversions and conversion rates[798]. Secondly, it demonstrates that its Travel Unit may not only be in direct competition with metasearch sites but potentially also with OTAs given that users can complete their transactions on Google. This ultimately heightens the Inquiries concerns regarding self-preferencing. At a broader level, Google Pay, which is present in South Africa, further deepens Google's portfolio of user data and information, given that it will have more intimate access to this data at a transactional level. As a major digital advertiser selling targeted advertising, the ability to amass transaction level data is likely to further entrench Google. This is also a factor which further elevates the concerns around self-preferencing and the need to address that conduct. This is an area that may require further investigation in this process or potentially be addressed by an Inquiry or investigation into the AdTech industry.

Google Chrome and third-party cookies

214. Google intends blocking third-party cookies on Google Chrome as part of its Privacy Sandbox strategy where support of third-party cookies will stop by the end of 2023[799]. This could potentially give Google unparalleled access to user personal data and limit the ability of business domains that depend on user data collected by cookies to provide targeted advertising

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[796] [redacted] (Revenue Hub: Book on Google: What it means for hotels. Available at: https://revenue-hub.com/book-on-google-means-hotels/#:~:text=What%20is%20Book%20on%20Google,the%20hotel's%20or%20OTA's%20website. Accessed 12 July 2022).

[797] Available at: https://support.google.com/travel/answer/7515668?hl=en&ref_topic=2475360 (accessed on 23 June 2022)

[798] This is a competition concern considering that Google is also a direct competitor with metasearch sites and effectively OTAs. Normally competitors would not be privy to such commercially sensitive information.

[799] Shankland, S. 2021. Google delays Chrome's cookie-blocking privacy plan by nearly 2 years. *CNET*. Available at: https://www.cnet.com/tech/computing/google-delays-chromes-cookie-blocking-privacy-plan-by-nearly-2-years/ (Accessed on 27 April 2022).

(such as newsletters), in competition with Google, to users who have consented to the use of cookies. Absent access to third-party cookies, business domains may become more dependent on Google for targeted advertising services considering that their ability to do so would have been restricted by Google's policy. Furthermore, Google can use this advantage to direct users to its own specialised products[800]. Therefore, the risk is that Google can further entrench its monopoly status in online advertising and profiteer by blocking access to third-party cookies. Other jurisdictions such as the UK's CMA have investigated Google's proposed strategy in relation to blocking third-party cookies and has secured commitments from Google to address competition concerns in this regard[801]. Similarly, this is an area that may require further investigation and potentially be addressed by an Inquiry or investigation into the AdTech industry.

4. Business user competition and treatment

4.1. Sponsored platform ranking

4.1.1. Importance of ranking

215. The general nature of search and specialized search engines is as such that consumers can only view a limited amount of content above the fold and each subsequent scroll. The screen size of the device used by the consumers as well as the design of the platform, are amongst the limiting factors that determine the amount of content consumers will likely see on the platform's search results before scrolling down or making a click. Accordingly, these limitations create a demand for visibility, as visibility on platforms is important for effective platform competition.[802] [803] Evidence indicates that most booking decisions are made on the first page of the platforms and on listings that are ranked high up on the first page results. The Market Inquiry found that [70 to 90]% of bookings on Booking.com were made on the first page or batch

[800] [redacted]

[801] CMA (2021). CMA to have key oversight role over Google's planned removal of third-party cookies. Available at https://www.gov.uk/government/news/cma-to-have-key-oversight-role-over-google-s-planned-removal-of-third-party-cookies :. (Accessed on 27 April 2022).

[802] The vast majority of respondents from the Commission's platform business user survey (i.e., accommodation providers and the airline respondent) indicated that they consider a high-ranking position on a platform to be very important.

[803] The further down the list a property is on a platform, the more consumers are likely to assume that it is not quite as good and that does adversely affect the property's revenue. [redacted]

on the Booking.com platform[804]. Across all platforms, the top five position on the platform drove over 60% of bookings. For example, Expedia notes on its website that of the bookings received by the top 30 highest ranked listings, about 65% of those bookings were on the top five[805] highest ranked listings.[806] The German Competition Authority, also found that the top five ranked hotels on the default search results, accounted for more than 70% of all bookings made.[807]

216. Results from the survey that was commissioned by the Market Inquiry, indicates that all the hotels that were surveyed are of the view that high ranking on the customer search results or a prominent display position on the platform, contributes to bookings. The figure below presents the extent that platform visibility contributes to the sales of hotels.

Figure 30: Extent of high ranking's contribution to sales



Source: Commission's own compilation of Redflank survey results.[808]

217. The importance of visibility on platforms and the demand as such, has resulted in some platforms adopting paid or sponsored ranking models. The models are as such that platforms offer business users an opportunity to improve their platform visibility in exchange of extra

804 [redacted]

805 [redacted]

806 Expedia. Hotel visibility tool for marketing in Expedia Partner Central. Available online: https://welcome.expediagroup.com/en/tools/hotel-marketing-and-promotion-tools-in-expedia-partner-central/hotel-visibility-tool-in-expedia-partner-central (Accessed on 06 April 2022).

807 The Bundeskartellamt. 2020. The effects of narrow price parity clauses on online sales – Investigation results from the Bundeskartellamt's Booking proceeding. para.170

808 CC survey conducted by Redflank. 2021. slide 85.

monetary compensation to the platform.[809] The Authority for Consumers and Markets ("ACM") of the Netherlands, identifies two types of distinguishable sponsored ranking models that online travel platforms use, the auction-based model and the commission-based model. In the auction-based model, the platform reserves a number of positions in the search results (i.e., typically at least the top or near-top positions) and sells these positions through auctions. Bidders pay a cost-per-click and the positions are awarded both on the basis of the amount of the bid as well as the relevance of the bidder's listing.[810] In the commission-based model, business users can improve their rank position by increasing the commission rate that is paid to the platform for transactions (i.e., the larger the increment, the larger the rank position is likely to improve). From the platforms that the Inquiry engaged with, only Expedia appears to have adopted both models, the rest of the platforms use the commission-based model only. Expedia offers accommodation providers a prominent display positions on a cost per click basis model, through its TravelAds Sponsored Listings[811] service offering and also allows accommodation providers to improve their ranking through an adjusted increase in the compensation rate.[812] There have been reports suggesting that Booking.com tested the auction-based model or "native ads" in 2021, however it does not appear to be in operation in South Africa.

4.1.2. Parameters that impact ranking

218. Platform search results are an output of an internal automated process that simultaneously considers numerous parameters such as review rating, conversion rate, click through rate, cancellation policy, commission rate, listed price amongst many others. These parameters are the input factors that are used to sort and determine the ranking position of content on the platforms (i.e., algorithm). The figure below provides an overview of the search results process.

[809] Autoriteit Consument & Markt. 2021. Sponsored ranking: an exploration of its effects on consumer welfare. para.18.
[810] ACM. 2021. Sponsored ranking: an exploration of its effects on consumer welfare. para.19.
[811] [redacted]
[812] Expedia. TravelAds Sponsored Listings. Available online: https://advertising.expedia.com/solutions/sponsored-listings/ (Accessed 06 April 2022). [redacted]

Figure 31: General overview of the flow of platform search results



Source: Commission's own compilation.

219. A review of each platform's algorithm or weighting indicates that each platform has its own unique algorithm that considers a different set of parameters. Some platforms make use of a simple points-based algorithm, where the algorithm is made up of maximum points which are calculated from a weighted set of parameters.[813] The higher the total number of points generated by each listing, the higher the ranking position. Other platforms use more sophisticated means to process search results. Some of these platforms also use behavioural analytics collected from past platform visits by customers, user search and behaviour, to present personalised search results.[814] With such algorithms, the influence of the parameters to the search results continuously changes, as such customers may search for the exact same term and the result may differ.

220. Though platforms use different algorithms to sort and rank search results, there are some common parameters that feature prominently across the platforms. A review of the different travel platforms algorithms indicates that ranking on platform search results are mainly influenced by parameters that may be grouped for convenience, as parameters that measure or represent the quality of the listing, price and competitiveness dynamics of the listing and the commercial arrangements with the platform.[815] The quality of the listing would include parameters such as the quality and the total number of pictures listed, full disclosure of the relevant information that is key for booking decisions, total clicks, conversion rate, review scores and cancelation policy. The price and competitiveness of the listings includes parameters that

[813] [redacted]

[814] [redacted]

[815] This is based on an observation from a broad range of platforms.

measure the competitiveness of the price (i.e., considering the prices of listings that are similar), historical prices, rooms that are available as well as special offers such as discounts, free breakfast etc. Lastly, the commercial arrangement parameters would include all the parameters that measure how much the platform earns from each booking, this includes the commission rate, cost per click rate as well as the promotions and incentive programmes a listing may be part of.

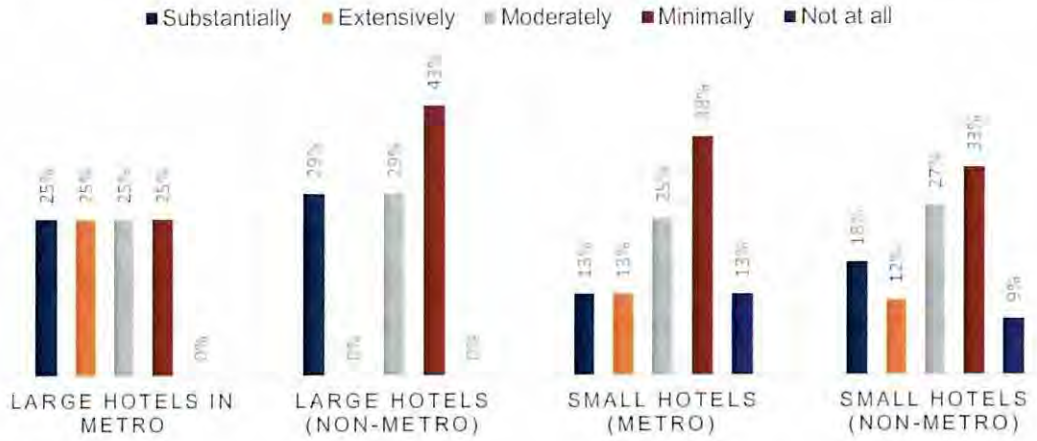
221. In view of the foregoing, the complexity as well as the personalized nature of the algorithms used by global platforms, the Inquiry could not determine a clear weighting[816] in overall ranking that paid ranking as well as the other factors account for on the overall search results on most platforms. However, for those platforms that the Inquiry could determine the weighting of paid positions, sponsored ranking constitutes a high proportion overall ranking score.[817] This is an important caveat for consumer decision making and business user competition.

4.1.3. Effectiveness of paid ranking[818]

222. The importance of high ranking is also highlighted by the fact that there are business users that are willing to forgo a portion of their revenue in exchange for an improved visibility and a higher-ranking position on the platform's search results. This is evidenced by the relatively high number of paid or sponsored listings on the top 10 results on average[819] [820], and in particular Booking.com[821]. The ability of Booking.com to attract a higher proportion of paid ranking might also explain part of its increasing average commission rate over time.[822] Results from the commissioned Redflank Survey shows that there is a substantial number of accommodation providers that engage in paid ranking, the figure below illustrates the extent.[823]

[816] The weighting seems to evolve depending on personalised machine learning parameters.
[817] [redacted]
[818] The terms "paid" and "sponsored" ranking are used interchangeably.
[819] [redacted]
[820] [redacted]
[821] [redacted]
[822] See section 2.3.4. of the Report
[823] CC Survey conducted by RedFlank. 2021. Slide 86.

Figure 32: Use of payments or increased commission to improve platform ranking



Source: Commission's own compilation of Redflank survey results. 2021.Slide 87

223. The adoption of paid ranking, coupled with the willingness by accommodation providers to make extra payments as well as incremental adjustment to the commission rates to as high as 30% in exchange for a higher-ranking position, evidences of the effectiveness of paid ranking as a tool to improve visibility.[824] An experiment by Ursu (2016) of the effects of paid ranking on consumer search and purchase decisions using Expedia's data set, found that highly ranked hotel listing leads to both more clicks and more purchases (i.e., unconditional on the click).[825]

224. A review of Booking.com's top ten largest spenders on their paid ranking service (i.e., visibility booster) in South Africa for the period of 2018 to the first half of 2021 provides proof of its effectiveness in improving or maintaining ranking positions.[826] Of Booking.com's top-ten largest spenders, a significant portion [10% to 25%] of the commissions it earned was over and above the standard rate i.e., sponsored ranking for increased visibility[827]. This suggests that a platform increasing their commission from the standard commission rate of 15% to the Preferred Partner

[824] Booking.com's Visibility Booster program, allows accommodation providers to offer up to 30% commission in exchange for increased visibility. Hrovat, J. 2021. 7 Easy Ways to Get More Bookings On Booking.com. [Available at: https://www.beyondbnb.io/post/7-easy-ways-to-get-more-bookings-on-booking-com (accessed on 24 June 2022 [redacted] Again, as discussed in Section 2.3.4 of the Report, the ability to command a higher average commission over time may be indicative of Booking.com's leading platform power.

[825] Ursu, R.M., 2016. The power of rankings: Quantifying the effect of rankings on online consumer search and purchase decisions (Doctoral dissertation, The University of Chicago).

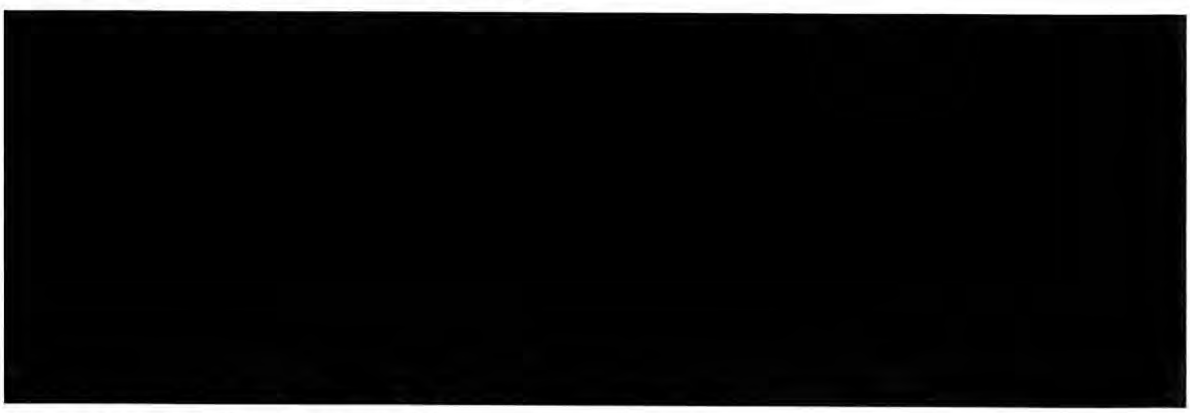
[826] [redacted]

[827] [redacted]

commission rate of 18%[828] would improve their ranking by few positions on an average[829]. Furthermore, the review also shows that the incremental payments for ranking positions on Booking.com in South Africa are expensive on average[830]. Though most of the accommodation providers that engaged in paid ranking experienced an increase in ranking, with some having significant increments[831], there were some that experienced a drop in their ranking position. This could be as result of ranking poorly in other criteria, such as poor reviews.

225. From the data submitted by Booking.com, it appears that the accommodation provider that paid the highest incremental commission ranked the highest. The figure below illustrates the total amount as well as the average incremental commission that was paid to Booking.com by the largest spenders in each year, for the highest-ranking position on the search results.

Figure 33: Total paid ranking spend by the highest ranked accommodation provider and its average incremental commission, 2018-2021*



Source: Commission's own compilation.[832]

828 123compare.me. Good or evil: Preferred Plus Booking.com program. Available at: https://123compare.me/en/preferred_plus_booking-com/ [Accessed 12 July 2022].

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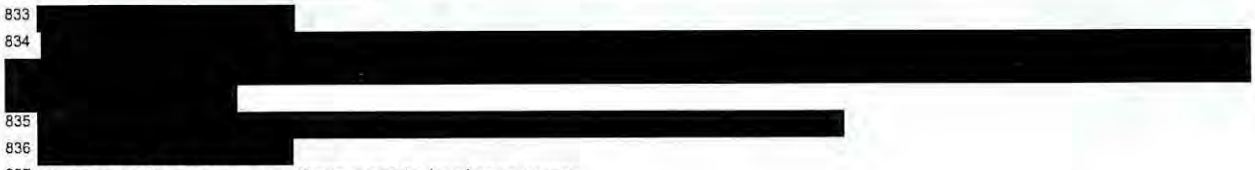
4.1.4. Ranking and discounts on accommodation listings

226. The competitiveness of an offer is one of the factors amongst many, that platform algorithms consider to sort and rank accommodations on the search results. Accordingly, an accommodation provider that joins or participates in a platform-initiated promotion campaign, and loyalty or reward programme, is likely to get platform visibility as discounts affect prices. These campaigns and loyalty programmes are largely funded by accommodation providers, for platforms to drive repeat booking as well as customer demand in exchange for improved visibility and increased bookings for accommodation providers[833] [834]. The Inquiry found that less than half of the listings that customers see on Booking.com's top 10 search results are organic listings, the rest of the listings are either part of the Preferred partner programme or the Genius programme.[835] Accordingly, discounting on the platform may improve a listed accommodation, as prices form part of the relevant factors that platform algorithms use to determine ranking.[836]

4.1.5. Accommodation provider concerns on paid ranking and platform search results

227. One of the issues that was raised by accommodation providers during the Inquiry is the lack of transparency and the unfairness of terms and conditions relating to search ranking and platform promotion fees. Some of the accommodation providers are of the view that too much weight is given to payment for ranking, and that too little weight is given to past sales and customer ratings.[837]

228. The Redflank Business User Survey found that a substantial number of small hotels (i.e., both in metro and in non-metro) that were surveyed, find the platform terms and conditions related to search ranking and platform promotion fees as not fair. The figure below shows that 24-25% of the surveyed small hotels view the search ranking related terms and conditions as not fair, and 10% from the large hotels in metro areas.



833
834
835
836
837 Response to survey questions sent to business users.

Figure 34: Fairness of platform terms and conditions relating to search ranking



Source: Commission's own compilation of Redflank survey results. 2021.Slide 71-74.

229. In terms of platform promotion fees, the figure below shows that more than 50% of the small hotels in metro areas and 38% of the small hotels in non-metro areas view the terms and conditions as not fair. For the large hotels, only 10% of the large hotels in the metro and 13% of the large hotels in non-metro view the terms and conditions as not fair.

Figure 35: Fairness of platform terms and conditions relating to platform promotion fees



Source: Commission's own compilation of Redflank Survey results. 2021.Slide 71-74.

230. As discussed earlier, engaging in paid ranking is effective for improving the ranking position of a listed accommodation. The review of Booking.com's top largest spenders on paid ranking showed that the accommodation provider that ranked first on the search results spent fairly

significantly on incremental commissions between 2018 and the first half of 2021.[838] This, together with the fact that less than half of the top 10 listings are organic, suggests that smaller accommodation providers may find it difficult to compete with larger accommodation providers on paid ranking. This may explain why more of the smaller accommodations describe the practise as not fair. By contrast organic listings account for more than half of the top 10 results on Tripco's platforms[839], where Lekkeslaap is effectively the second largest (but significantly smaller) OTA rival. This demonstrates that platforms such as Booking.com can leverage its leading platform status to leverage visibility in exchange for discounts and pay-for-ranking.

Conclusion on sponsored ranking on SME

231. Sponsored ranking under the current business model, is likely to have the outcome of distorting business user competition and impeding on the participation of SMEs. Firstly, this section has outlined how important visibility is for business users to effectively compete on platforms, especially for the top 10 results, and it has also outlined the parameters that are used to sort and rank search results. The substantial influence of the platforms' own commercial interests in search results ranking, was also outlined. Secondly the section highlighted how sponsored ranking has been adopted by business users (i.e., particularly in the provision of travel accommodation services), their extent of use[840] and its impact on search results. Thirdly, the effectiveness of sponsored ranking as a tool to improve platform visibility as well as the high costs for business users was also illustrated. Accordingly, expenditure on sponsored ranking is likely to improve visibility on the platform, when controlling for relevance and quality of the listing, and subsequently generate more sales because of its visibility. As such the pay for visibility feature of travel accommodation platforms is likely to distort business user competition, and similarly impede on the ability of SMEs to effectively compete on the platform. This is particularly acute for the leading platform, considering that less than half of the top 10 results reflected organic listings.

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838 [redacted]

839 [redacted] When one considers "paid programs", [redacted] of accommodation providers in the Top 10 on [redacted] whereas this is [redacted].

840 The large hotels that were surveyed, 25-59% of them indicated that they use sponsored ranking substantially, compared to 13-18% of the small hotels.

232. Smaller hotels have indicated that the terms and conditions related to platform promotion fees and search ranking are not fair and may feel compelled to engage in sponsored ranking to retain visibility or not be able to participate at all. Larger hotels, however, might be more resourced to participate in sponsored ranking or even in some cases negotiate preferential rates, discussed in Section 4.5. This is demonstrated by the higher number of large hotels using sponsored ranking vis-à-vis smaller hotels[841]. Lastly, extensive sponsored ranking, as in the case of accommodation, is likely to distort consumer choice considered that a large proportion of the most visible results are sponsored[842] and may not reflect best options for consumers.

4.2. Transparency in labelling of paid ranking

233. The transparency of platforms that engage in paid ranking has been under scrutiny from numerous competition authorities over the past few years. In 2016 the European Commission ("EC") issued a guidance document on the implementation of the directive concerning unfair business-to-consumer commercial practices.[843] To help inform consumers when they are being shown search engine results that include paid for websites or URLs, the guidance note states that search engines should clearly and prominently label results to show that the ranking or inclusion is paid for. The guidance further elaborates that the labels need to convey that the sites listed are placed higher, or otherwise presented more prominently, because they have paid for their ranking or position.[844] The main principle of the guidance note is that where there is paid for ranking consumers should be informed otherwise, they will ordinarily expect natural search results to be included and ranked based on relevance to their search queries and not based on payment by third party traders.[845] In 2020 the Competition Commission of India ("CCI") published its market study on e-commerce, and in the study the lack of transparency of the search ranking criteria was generally raised as an issue.[846] To improve platform transparency, the CCI recommended that the platforms' terms and conditions must have a general description of the main search ranking parameters, drafted in plain and intelligible

[841] See CC Survey conducted by Redflank. 2021, slide 86 to 87.
[842] [redacted]
[843] European Commission. 2016. Commission Staff Working Document: Guidance on the implementation/ application of directive 2015/29EC on unfair commercial practices.
[844] European Commission. 2016. Commission Staff Working Document: Guidance on the implementation/ application of directive 2015/29EC on unfair commercial practices. p.121
[845] European Commission. 2016. Commission Staff Working Document: Guidance on the implementation/ application of directive 2015/29EC on unfair commercial practices. p.120.
[846] Competition Commission of India. 2020. Market study on e-commerce. para.60

language and kept up to date. The CCI also recommended that where ranking may be influenced by direct or indirect remuneration paid by business users, a description of that and its effects on ranking must be disclosed.

234. In 2019 the CMA entered into a sector wide commitment agreement with the majority of online bookings platforms such as Expedia, Booking.com, Agoda, Hotels.com, ebookers and Trivago as well as major hotel chains in the United Kingdom ("UK").[847] This followed an enforcement action that raised concerns with regards to the violation of consumer protection law by online travel platforms related to transparency issues such as pressure selling, misleading discount claims, the effect that commission has on how hotels are ordered on sites, and hidden charges by online travel booking channels. Amongst the commitments was for online booking channels to make it clearer how hotels are ranked after a customer has entered their search requirements, for example a disclosure when search results have been affected by the amount of commission a hotel pays the site. Following the investigation, the CMA published consumer law principles, to guide online booking channels from breaching the consumer protection law.

235. A review of the online travel platforms that engage in paid ranking in South Africa shows that it is only the global platforms Booking.com, Expedia and Agoda, that disclose to consumers in one form or another that the platform search ranking results may be influenced by commercial transactions or commercial arrangements between the platform and business users[848]. Domestic platforms do not appear to disclose to consumers that they engage in paid ranking. The table below details the different approaches that have been adopted by platforms to disclose their engagement in paid ranking.

[847] CMA. 2019. Press release. Available online: https://www.gov.uk/government/news/hotel-booking-sites-to-make-major-changes-after-cma-probe (Accessed on 17 January 2022).
[848] This is not to say that the manner in which these global platforms labelled paid rankings as paid or sponsored is clear enough for the consumer to understand that it is paid/sponsored.

Table 13: How platforms that engage in paid ranking disclosed it to consumers.

Platform	Tag	Visual Tag	Message above search results	Explanation
Tripco	No tag	No visual tag	No message	No explanation
Afristay	No tag	No visual tag	No Message	No Explanation
Booking.com	Promoted	Orange thumbs up[849]	No message	T&Cs explains[850]
Expedia	"Ad"	No	"What we are paid impacts our sort order"	T&Cs explains[851]
Agoda	No tag	No visual tag	No message	T&Cs explains[852]

Source: Commission's own compilation, as of 30 October 2021.

236. The table above showcases the different approaches that were adopted by platforms before platforms made changes in the way that they disclose paid ranking, which happened during the Market Inquiry.[853] Initially, Booking.com and Expedia appear to have been relatively more transparent than the other platforms. Booking.com adopted both the visual thumbs up tag for a preferred partner listing and the word tag (i.e., "promoted") for accommodation providers using the Visibility Booster programme. It does however seem like Booking.com has removed the "promoted" tag as it no longer appears on its listings, there is only the thumbs up tag that has a hoovering message disclosing paid ranking. Booking.com's terms and conditions also explain that its search results may include paid for listings. Expedia had the "ad" worded tag for Travelads listings that appeared in predetermined slots on its search results page, listings that increase their commission through the accelerator programme are not displayed as "Ad" or "Sponsored".[854] A headed message on the top search results informing customers that commercial payment impacts its search order has been replaced, with a "see how we pick our recommended properties" which directs customers to a new window where the platform explains its default search results. Like Booking.com, Expedia's platform terms and conditions also has a disclosure. Agoda does not appear to have any paid ranking related tags or messages on its search results or home page, the platform only discloses that search results may be influenced by commercial agreements in its terms and conditions[855]. Afristay and Tripco do not appear to disclose that their platform search results are made up of sponsored listings.

[849] The orange thumbs up on Booking.com had a hoovering message that stated that "This is a Preferred Partner property. It is committed to providing guests with a positive experience thanks to its commendable service and good value. This property may pay Booking.com a bit more to be in this Programme."
[850] Booking.com. Trip terms and conditions. Available online.
[851] Expedia. Website Terms of use. Available online: https://www.expedia.com/lp/lg-legal (Accessed on 23 October 2021).
[852] Agoda. Terms of use. Available online: https://www.agoda.com/info/termsofuse.html (Accessed on 23 October 2021).
[853] The table was compiled on 30 October 2021.
[854] [redacted]
[855] Which most consumers using the platform are unlikely to read through. [redacted]

237. Though the global platforms appear to have limited amounts of disclosure pertaining to the use of sponsored ranking to consumers, the Market Inquiry is however concerned by the general lack of transparency. Firstly, the methods used by global platforms do not clearly inform consumers about the influence sponsored ranking has on search results. Labels such as a "thumbs up", "Ad" or "promoted" can be vague and can be interpreted to mean different things by consumers. Secondly, the listings that are sponsored are often not clearly distinguishable from the organic listings. Lastly, even during the course of the Inquiry, there appears to be a diminishing degree of transparency on disclosures of sponsored ranking.

4.2.1. Consumer benefits following the transparent labelling of paid ranking

238. A study by the EC on transparency of online platforms found that there is limited consumer interest and awareness of platform commercial practices.[856] According to the EC many online consumers rely on blind trust, and as a result consumers are unlikely to appreciate the risks of exposure to unfair platform practices, misleading information, or other ways in which they might be exploited by online platforms. A study by the ACM of the effects of sponsored ranking on customers found that a prominent disclosure of the commercial nature of sponsored search results may both reduce the risks from sponsored ranking for consumer welfare and contribute to potential benefits from sponsored ranking for consumer welfare.[857] The reason is that well-informed consumers are more likely to avoid sponsored results if consumers deem these less relevant. The ACM therefore concludes that prominent disclosure about the commercial nature of sponsored results increases consumer welfare.

Box 9: Key findings on sponsored platform ranking and transparency

There is a high demand for visibility on platforms as consumers typically book the highest ranked establishments listed on the accommodation platform. This demand for visibility is more acute for leading platforms. Approximately 65-85% of platform bookings are made on listings that are ranked in the top 10 platform search results.

[856] European Commission. 2018. Behavioural Study on Transparency of Online Platforms. p.45
[857] ACM. 2021. Sponsored ranking: an exploration of its effects on consumer welfare.

The importance of visibility on the platform, which in turn is important for customer acquisition, enables platforms to monetise this demand through additional booking commissions in exchange for improvements in ranking and/ or CPC position bidding (on some platforms). Leading platforms, as in the case of Booking.com, can leverage dependency on their platform to extract higher levels of commissions from business users. We see evidence of this as Booking.com's average commissions have been increasing over time.

The effectiveness of paid ranking as a ranking tool illustrates that the parameters that represent the commercial arrangements, (i.e., such as the adjusted commission rate and the customer incentive schemes) between the platforms and accommodation providers, have sufficient influence on search results rankings. This also appears to be the case for business user discounts on the platform.

There is a greater demand for visibility on leading platforms, as such sponsored rankings seem to feature more prominently on leading platforms, which results in fewer top ranked organic listings relative to smaller platforms. The same is also observed for accommodation funded discounts.

The evidence suggests that the business user that pays the highest incremental commission in absolute value, is often ranked the highest. The evidence also shows that a significant increment in the commission rate, can result in a material improvement in the ranking position on the platform *ceteris paribus*. Accordingly, this affects consumer choices and may harm them, as they may be precluded from finding more suitable listings located further down the page or on later pages.

The nature of sponsored ranking, particularly on leading platforms, impedes on the ability of SME business users to effectively compete and participate on the platforms. As such some of the business users believe that too much weight is given to paid ranking and that the terms and conditions related to paid ranking are not fair. The Redflank Survey results also show that proportionately more of the larger hotels engage in sponsored ranking than the smaller hotels.

The Inquiry finds that leading platforms are able to use paid ranking more excessively and extract more revenue from business users in exchange for visibility on the platform.

Labelling of sponsored ranking by global platforms seems opaque and transparency appears to be diminishing over time. Local platforms do not appear to distinguish sponsored ranking at all.

Non-disclosure of the influence that commercial interests have on search rankings and or paid listings that are not easily distinguishable from organic listings are likely to harm consumer choice as they are likely to make uninformed purchasing decisions on search results that may be suboptimal. To address likely harms on consumers and business user competition, platform search results that show or include listings that are paid for, should be clearly and prominently labelled as such.

4.3. Treatment of travel and accommodation service providers

239. The Market Inquiry sought to understand the treatment of travel and accommodation service providers, given their dependencies on certain online platforms to distribute their services. The Inquiry received several responses to survey-style questionnaires and in some cases, RFI responses, from various types of accommodation providers, airlines, car rental operators and bus operators. Furthermore, the Inquiry commissioned Redflank to conduct an independent survey of large and small hotels, located in metro and non-metro regions. Both the Inquiry's engagements and Redflank's survey explored areas of contractual terms and conditions and platform behaviours that travel, and accommodation service providers considered unfair or non-transparent. The discussion focusses on three areas considered unfair by several service providers, namely (i) the payment terms, (ii) cancellation and overbooking policies, (iii) the platform fees and platform promotion fees. Other platform terms and behaviours such as access to customer data used by platforms and dispute mechanisms[858], are also briefly discussed. Furthermore, the biggest impact that unfair platform terms have on accommodation providers, is to increase their costs of business.[859] Invariably these increased costs are likely to be passed down in the form of increased prices to customers.

[858] Response received to survey questions sent out to business users

[859] The Redflank Survey found that unfair terms increased the cost of business substantially for 47% of small non-metro-based hotels, 38% of small metro based hotels; 63% of large non-metro based hotels and 50% of metro based hotels. (CC Survey conducted by Redflank, 2021, slide 75-76).

4.3.1. Payment terms

240. Accommodation providers have indicated inflexible payment terms which are enforced rigidly by OTA's, particularly international OTAs, on a frequent basis[860]. Upon not receiving timeous payment, the said platforms suspend the accommodation providers listing, often without prior warning[861]. This delisting can be in place for a period of 2 to 3 weeks before the property is switched back on again and marks a major revenue loss for accommodation providers that are dependent on the platform[862]. The contracts of international OTAs appear unfair considering that accommodation providers face more stringent terms than the OTAs themselves. For example, some of the global platforms require accommodation providers to pay their commissions in within a few days, in contrast to the days (i.e., double the days that accommodation providers) that platforms can pay accommodation providers their revenues (i.e., less commission) and deposits. Relative to the global platforms, domestic platforms pay accommodation within a few days, for example SafariNow has a payment term of 5 to 8 working days that is substantially shorter than the global platforms payment terms. Accommodation providers note that the payment terms used by the global players can be quite restrictive as they need to reconcile invoices and reservations and then process all payments within this period[863]. The Redflank Survey found that this impacts small hotels more acutely with 18% to 25% finding the payment terms of the main platform they use are not fair. Between 25% and 30% of all hotels considered them somewhat fair (i.e., see figure 36 below).

860 [redacted] ATKV, OS, p.32-33.
861 For example, ATKV notes that on one occasion one of its properties was delisted when it missed a commission invoice payment because the person who received the emails for those invoices was sick on the day. (ATKV, OS, p.32-33).
862 [redacted] ATKV, OS, p.32-33.
863 [redacted]

Figure 36: Fairness of payment terms of main platform



Source: Commission's own compilation of Redflank survey results. 2021.Slide 71-74

241. Car rental operators also indicated that payment terms are unfair since online car rental platforms collect money when the reservation is made but the platforms only pay the car rental operators 30 days after the car is returned[864].

4.3.2. Cancellation and overbooking policies

242. The penalties for overbooking may be a little too onerous, especially considering that this can occur outside either the property's or OTA's control[865]. [redacted]

864 [redacted]

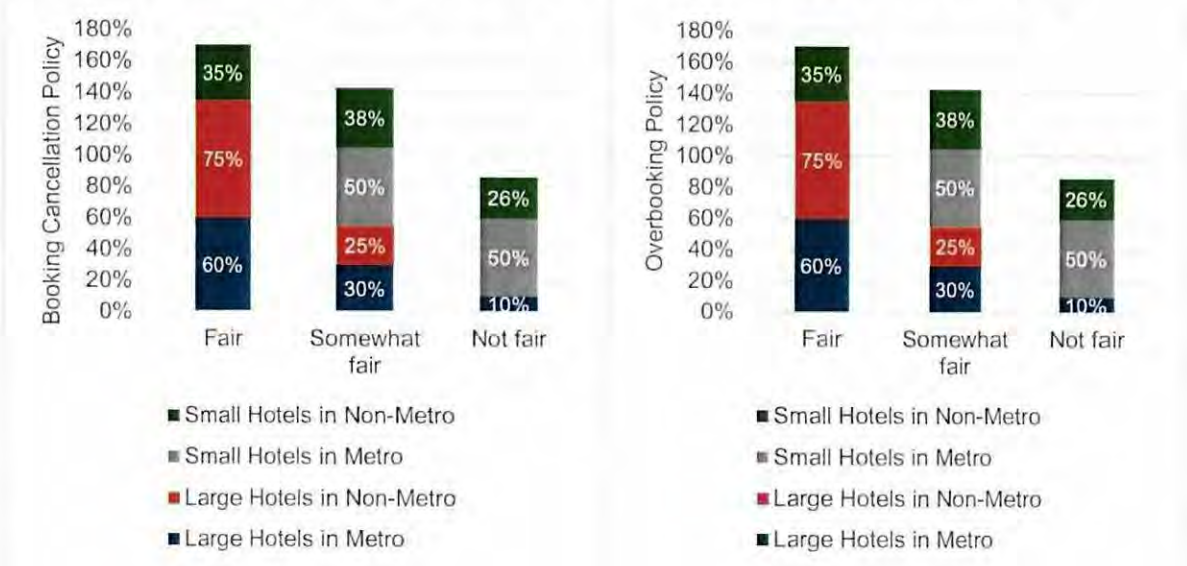
865 ATKV OS, p.34.

866 [redacted]

867 [redacted]

243. Cancellation policies do allow a small period in which accommodation providers indicate a no-show (i.e., the traveller doesn't arrive at the booked accommodation) and have the commissions payable waived. [redacted] The overbooking and cancellation policies, particularly Booking.com's overbooking policy, appears to put a disproportionate amount of burden on accommodation providers and shift the risks of business away from the OTAs. These policies appear to be unfair for smaller establishments in particular. According to the Redflank Survey none of the small hotels surveyed in metro areas considered the cancellation and overbooking policies of the main platform used as fair. In non-metro areas, less than 40% of small hotels considered these policies as fair.

Figure 37: Fairness of cancellation and overbooking policies of main platform



Source: Commission's own compilation of Redflank survey results. 2021.Slide 71-74

4.3.3. Commission fees and platform promotion fees

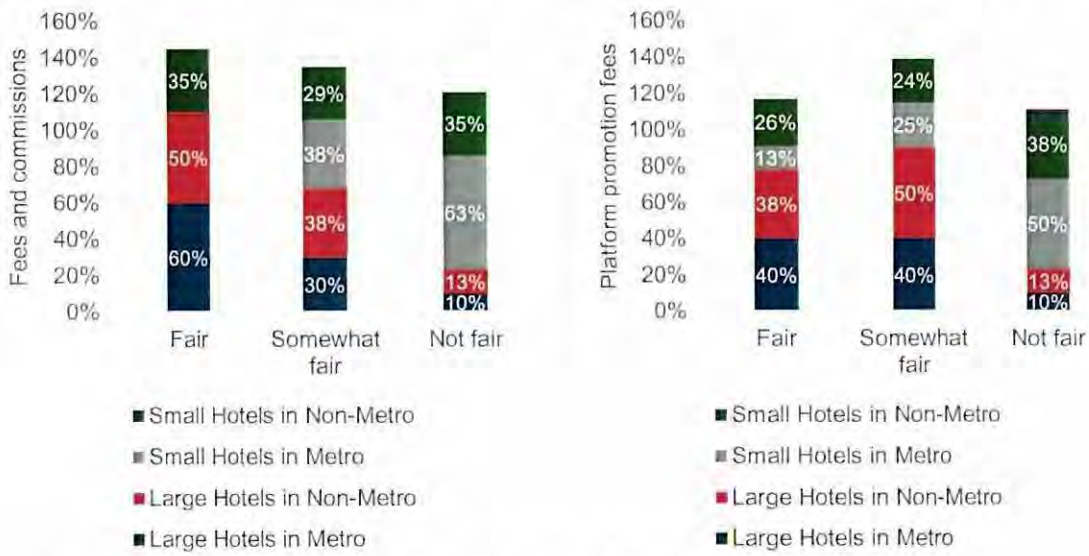
244. Commission fees and platform promotion fees[869], such as those paid to boost visibility on the platform, are broadly considered unfair by a relatively large proportion of hotels, particularly smaller hotels. The Redflank Survey found that 63% of small hotels in metro areas considered

[868] [redacted]

[869] Discussed extensively in Section 4.1 of the Report.

commissions charged by the main platform as unfair and 50% considered the platform promotion fees as unfair. This is not surprising considering that these small hotels need to compete with larger hotels for visibility on the platform, particularly in highly competitive nodes in metro areas. As such they may have no other option but to pay for platform promotions[870] to attain additional visibility[871]. Similarly, 35% of small hotels in non-metro areas considered commission fees, and 38% considered platform promotion fees as unfair. Relatively fewer of the large hotels (metro and non-metro), 10% to 13%, considered that commission fees and platform promotion fees were unfair. This, however, is notwithstanding the fact that a larger proportion of the larger hotels can negotiate terms. The Redflank Survey found that 56% of large hotels indicated that they could negotiate terms with the main online platform, whereas only 10% of small hotels indicated that they could[872]. Therefore, smaller hotels are in a take-it-or-leave-it situation vis-à-vis commissions and platform promotion fees (See Section 4.1 and 4.5 of the Report). It is not surprising that hotels view the biggest impact of unfair terms as having the effect of raising their costs.

Figure 38: Fairness of commission fees and platform promotion fees of main platform



Source: Commission's own compilation of Redflank survey results. 2021.Slide 71-74

870 [redacted] This is likely to be driven largely by a higher usage of platform promotion fees considering the standard commission rate has remained at [redacted] (see Section 2.3.4 of the Report).

871 This is considering that none of the small metro hotels viewed search ranking as fair on the main platform.

872 CC survey conducted by Redflank, 2021, slide 77.

245. There is also a view that commission fees in the bus sector are high despite having been constant around 10% over time[873]. Margins in the bus sector are low and have been decreasing, particularly following the pandemic, and as such there is a sense that commission rates should be reduced for the sustainability of the industry[874]. Similarly, the commissions (or discounted net rates) that car rental operators offer online car rental intermediaries is particularly high, typically ranging between 20% and 25%[875]. Notwithstanding this, these platforms enforce price parity and have autonomy to set the final retail price[876]. Smaller car rental operators find these commission fees (or net rates) as high and this serves as a barrier, amongst other challenges, to use online platforms to distribute their vehicles[877].

4.3.4. Other terms and conditions considered unfair

246. Travel and accommodation service providers indicated that restrictions on access to consumer data collected by platforms was somewhat unfair. For example, in the car rental space, car rental operators note that they are furnished with the bare minimum information regarding the customer therefore they cannot verify the customer[878] or communicate essential information to the customer (e.g., where to collect the car)[879].

247. Terms relating to mechanisms that resolve disputes have also been considered unfair. Accommodation providers indicate that typical disputes with OTAs include disputes relating to pricing, VAT, and exchange rates for international bookings[880]. Furthermore, disputes can be administrative in nature such as mismatches in available properties on the platform and what's available on its property management system, dealing with cancellation disputes etc.[881]. Accommodation providers have expressed that is easier and less frustrating to work with the local OTAs since they have got offices in the country and can speak directly to someone[882]. However, international OTAs have a very small local support structure, and this tends to make

[873] Intercape, OS, p.9. Bus operator responses to Inquiry's business user survey questions.
[874] Intercape, OS, p.9; [redacted]
[875] SAVRALA, OS, p.14.
[876] [redacted] SAVRALA, OS, page 14.
[877] SAVRALA, OS, p.14
[878] SAVRALA, OS, p10.
[879] [redacted]
[880] [redacted]
[881] ATKV, OS, p.18.
[882] ATKV, OS, p.19.

the turnaround time for disputes longer[883]. The Redflank Survey shows that a significant proportion of hotels consider the dispute mechanism of their main platform as unfair where 38% of the surveyed small hotels in both the metro and non-metro, view the disputes mechanisms related terms and conditions as not fair. This is also the case with large hotels in which 20% to 25% have indicated the dispute mechanisms as being unfair.

Figure 39: Fairness of platform terms and conditions relating to dispute mechanisms



Source: Commission's own compilation of Redflank survey results. 2021.Slide 71-74

Box 10: Key findings on business user treatment

A review of the contractual terms and conditions contained in the business user contracts indicates that there are several conditions that may be unfair and non-transparent. Such conditions include the payment terms, cancellation and overbooking policies, platform fees and platform promotion fees and other behaviours such as dispute mechanisms and customer data access controlled by platforms.

There appears to be no parity between OTAs and business users in relation to payment terms. For example, global OTAs expect business users to pay within a few days, and do enforce this quite rigidly, whereas they pay business users in within a long period that is double the days that they expect accommodation providers to pay platforms.

[883] Locally based employees of international OTAs often have to wait for approval from the international office to resolve disputes.

Business users are also subjected to stringent terms and conditions in the case of over-booking and cancellations made by travellers and are expected to carry a disproportionate amount of risk as they become responsible for the burden and costs of these policies.

In addition, the Redflank Survey found dispute mechanisms by global OTAs to be unfair. For example, it takes long to resolve disputes and often there is no human interaction to resolve more complicated issues. Lastly, business users do not get access to customer data limiting their ability verify their customers.

4.4. Metasearch results and consumer choice

4.4.1. The cheapest price is not necessarily the most prominently displayed

248. The Market Inquiry frequently observed that the cheapest price for a room advertised on a metasearch result was not necessarily the most prominently displayed for most metasearch engines. The concern is that this will have an adverse effect on consumer choice as consumers are most likely to choose the most prominent display. For example, the Federal Court in Australia found that Trivago had breached Australian Consumer Law by making misleading representations about hotel room rates when advertising that it would quickly and easily help users identify the best deal or cheapest rates available for a given hotel[884]. It was found that "*Trivago used an algorithm which placed significant weight on which online hotel booking site paid Trivago the highest cost-per-click fee in determining which rates to highlight on its website and as a result often did not highlight the cheapest rates for consumers*[885]". While this concern is rooted in consumer choice, prominent representations of the cheapest prices for a given room, is better suited to drive price competition. Similarly, the Inquiry finds evidence that consumers are most likely to (i) click on the most prominent display, (ii) pay more in terms of cost-per-click ("CPC") for the most prominent display[886] and (iii) demonstrates that the most prominent display does not necessarily represent the cheapest price available (discussed later).

[884] Australian Competition and Consumer Commission (2022). Trivago to pay $44.7 million in penalties for misleading consumers over hotel room rates. Available at: https://www.accc.gov.au/media-release/trivago-to-pay-447-million-in-penalties-for-misleading-consumers-over-hotel-room-rates (Accessed on 10 May 2022).
[885] Australian Competition and Consumer Commission (2022). Trivago to pay $44.7 million in penalties for misleading consumers over hotel room rates. Available at: https://www.accc.gov.au/media-release/trivago-to-pay-447-million-in-penalties-for-misleading-consumers-over-hotel-room-rates (Accessed on 10 May 2022).
[886] How metasearch site monetize their services is discussed in Section 2.3.1 of the Report.

This is a feature of the metasearch market and applies to most metasearch sites such as Trivago, Tripadvisor and Hotelscombined.

249. For a given hotel listed on a metasearch engine's search results, there are often several leads to online booking platforms that are placed around a given hotel presenting different offers. For example, if one considers the Figure 40 below there are three highlighted areas, a red, blue and a green area. The area highlighted in red (i.e., slot 1), is the most prominent lead on the listing. The prominent position displays more details about the online booking platform's offer and has a richer text format than the rest. The green and the blue highlighted areas, slot 2 and slot 3 respectively, carry less details and are demonstrably smaller in size. The offer presented on the most prominent position for a given hotel, is not always the cheapest offer, as the online booking platform that is commercially more valuable to the metasearch engine may have better visibility with a higher offering than other booking platforms with lower prices for a given hotel. For example, Figure 41 below presents a listed hotel on Trivago's search results, with Booking.com placed on the prominent display position though its offer is higher than the other two offers.

Figure 40: Screenshot of a hotel listed on Skyscanner's "Cape Town" search results



Source: Skyscanner. [887]

[887] Screenshot of Skyscanner's search results for the keyword Cape Town. Available online: https://www.skyscanner.net/hotels/search?entity_id=33844620&checkin=2022-04-30&checkout=2022-05-08&adults=1&rooms=1&impression_id=45cb20a3-e5bc-4b16-a8e1-6e0c127b0e86&sort=-relevance (Accessed on 21 April 2022).

Figure 41: Screenshot of a hotel listed on Trivago's "Cape Town" search results

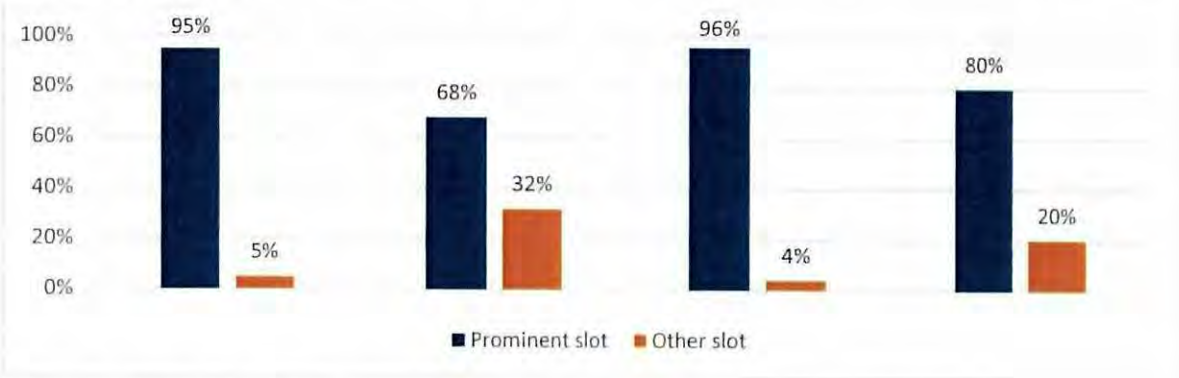


Source: Trivago.[888]

4.4.2. The Evidence

250. The most prominent display (i.e., slot 1) drives most of the clicks. On average, the prominent display drove approximately 85% of the clicks in South Africa[889]. Figure 42 below depicts the comparison in clicks between the prominent slot and the remaining slots for selected metasearch engines.

Figure 42: Percentage of the total clicks accounted for by the prominent display of a metasearch result.



Source: Commission's own compilation of submissions.[890]

251. Sites pay more per click for the most prominent position. Amongst the various parameters that metasearch engines consider, the commercial arrangements between metasearch engines and online booking sites are a considerable part of the parameters that influence the ranking

[888] Trivago. Cape Town search results. Available online: shorturl.at/giABP (Accessed on 25 April 2022).
[889] Own calculations using un-weighted averages. [redacted]
[890] [redacted]

position and display[891]. Based on submissions obtained by metasearch sites, the average CPC for the most prominent display cost is approximately 50% more than the less prominent displays[892].

252. The cheapest lead is not necessarily the most prominently displayed. Based on submissions, metasearch sites displayed the cheapest result on the most prominent display 74% of the time on average[893] [894]. Collectively speaking, this suggests, on average, that there is a higher proportion of consumers that click on the most prominent display relative to the proportion of leads that are actually the cheapest on the prominent display. This is a clear indication that consumers are more prone to click on the most prominent lead and not necessarily the cheapest lead[895].

Box 11: Key findings on metasearch results and consumer choices

The most prominent display on a metasearch result receives most of the clicks in South Africa.

Metasearch sites displayed the cheapest result on the most prominent display about three-quarters of the time on average. Commercial incentives such as a higher CPC bids push more expensive leads to the most visible display. This is evidenced by the fact that the most prominent display position costs more, at about 50% more expensive per click on average than the other slots.

There is a higher proportion of consumers that click on the most prominent display relative to the proportion of leads that are the cheapest on that prominent display. This evidences that consumer behavioural heuristics suggests that visibility is likely to affect consumer choices more than the cheapest lead for the same service. This is likely to have an adverse effect on

[891] [redacted]

[892] [redacted]

[893] Own calculations:

[894] [redacted]

[895] Notwithstanding these findings, [redacted] is the only metasearch site that noted that it always shows the cheapest price in the most prominent display for its accommodation listings [redacted] Price is the first consideration by the metasearch engine, and only in the case where prices are equal, other factors such as CPC act as a tiebreaker. [redacted]

consumer choice considering that consumers are often choosing more expensive options unknowingly.

This also impacts business user and platform competition as the cheapest price for a service offered by a business user or a platform may not be prominently displayed. This limits transparency and possibly subsequent price competition.

4.5. Commissions charged and impact on business user competition

253. The Inquiry sought to assess whether large hotel chains were able to elicit favourable commission rates vis-à-vis independent and smaller hotels by leveraging their superior bargaining power. Global hotel chains, by virtue of their size and global footprint, are likely to be in a position to demand better trading terms, conditions and commissions in contractual negotiations with platforms. For example, Marriott, following its merger with Starwood Hotels (i.e., resulted in it being the world's largest hotel group), publicized its intention to negotiate lower commission rates with OTAs (such as Expedia in 2019).[896] In South Africa, results from the Redflank Survey, found that 56% of the large hotels surveyed were able to negotiate terms and conditions or have them adjusted, whereas only 10% of small hotels noted they were able to do this.[897] The concern with this discrepancy is that higher commissions raise the distribution costs of independent and smaller hotels vis-à-vis hotel chains which prejudices the former's ability to compete with hotel chains.

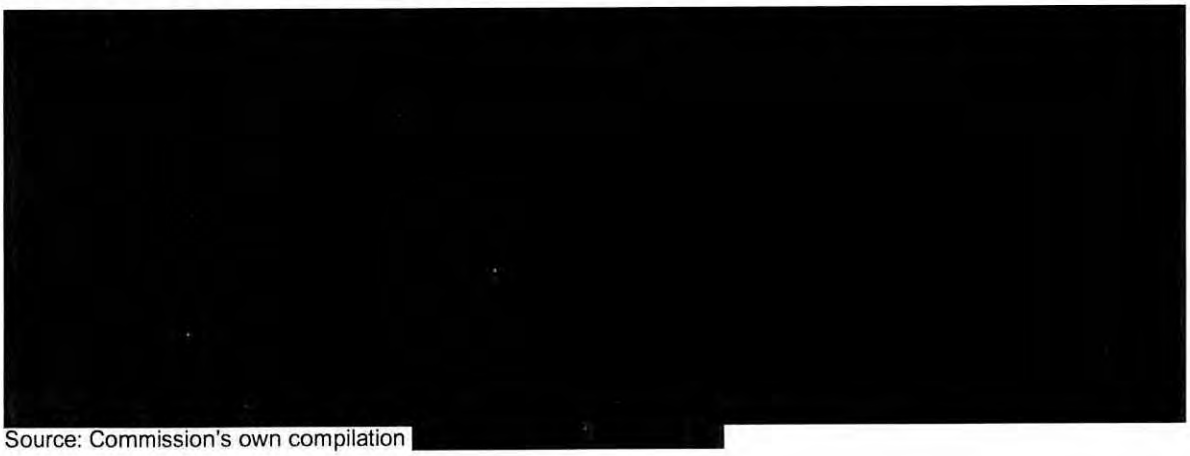
254. The Inquiry found that large global hotel chains received favourable commission rates relative to the standard commission rates published by OTAs (and the rates obtained by independent hotels and smaller hotel groups), which gives them significant competitive advantages on the OTAs platform. For example, a hotel chain can be charged the same standard commission rate (or less) as an independent hotel yet receive special status that boosts visibility on the

[896] Reuters. 2018. Marriott aims to cut commissions for online agencies -CEO. Available online: https://www.reuters.com/article/marriott-intnl-india-onlinetravel-idUSL4N1RG4UZ (Accessed on 03 May 2022).; Marriott International. 2019. Media statement: Expedia Group Signs Industry-First Agreement to Become Optimized Distributor of Marriott International Wholesale Rates. Available online: https://news.marriott.com/news/2019/09/17/expedia-group-signs-industry-first-agreement-to-become-optimized-distributor-of-marriott-international-wholesale-rates [accessed 03 May 2022].; Skift. 2019. Expedia and Marriott Finally Sign a New Contract. Available online: https://skift.com/2019/04/11/expedia-and-marriott-finally-sign-a-new-contract/. (Accessed on 03 May 2022).

[897] CC survey conducted by Redflank, (2021). Slide 77.

platform[898]. It seems that global hotel chains have an unfair advantage compared to competing accommodation providers. Furthermore, consumer choice is likely to be adversely affected as consumers are likely to have disproportionately more prominent visibility of global hotel chain offerings compared to other offerings on the OTA platform.

Table 14: Negotiated commission rates paid by hotel chains to Booking.com



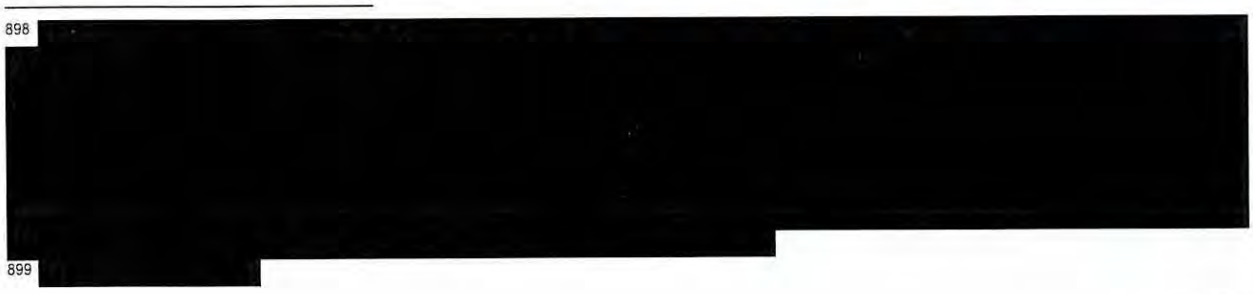
Source: Commission's own compilation

Box 12: Key findings on the commissions charged and impact on business user competition

The Redflank survey shows that 56% of large hotels negotiate terms and conditions with accommodation platforms, where only 10% of the small hotels do.

Large global hotel chains receive favourable commission rates as a result of negotiations, relative to the standard commission rates that are published by OTAs, which gives them significant competitive advantages on the OTA's platform. This discrepancy raises the distribution costs of independent and smaller hotels vis-à-vis hotel chains which hampers the ability of former's to effectively compete. For example, special status and the subsequent

898



899

visibility advantages that comes with it is afforded to large hotel chains at similar and sometimes lower rates than the standard rate (and standard visibility) charged to smaller and independent establishments.

4.6. Concerns with contractual agreements of car rental platforms

255. Following a review process of the standard contractual agreements of car rental platforms, the Market Inquiry identified provisions in the agreements that raise potential competition concerns. Accordingly, in this regard the Inquiry identified a clause in one of the contractual agreements that seems to instruct or at least encourage car rental companies to increase their booking prices for last minute bookings. The contract states that:

[redacted]

256. The concern with such a clause is that it can possibly pre-empt a price increase for last minute bookings for car rental operators [redacted] Furthermore, it can potentially simulate a hub and spoke cartel outcome if several car rental operators act on the instruction of this clause or use it as a signal to increase price. [redacted] It is however not clear why the platform has not removed the clause from its standard contract. The Inquiry sought to assess differences in prices for last minute bookings with the prices for the same booking a week later by conducting a random spot check on the following car rental operators: Avis, Budget, Europcar, and Thrifty Car Hire[903]. For the samples

900 [redacted]
901
902
[903] Europcar and Thrifty were randomly chosen. The presumption is that they distribute their vehicles online using the net rate basis, but this is purely speculative.

of rental cars used[904], the Inquiry found that both Budget and Avis (i.e., both belonging to AVG) sold last minute bookings at a higher price of 0.87% to 5.02%, depending on the class of vehicle sold. However, there were no price differences between last minute bookings and the same booking made a week later for Europcar and Thrifty.

4.7. SME and HDP Development

257. There have been very little initiatives undertaken by travel and accommodation platforms to empower, transform and include SME's and HDP's within the South African travel industry. Notwithstanding this there have been a handful of platforms that have produced some meaningful interventions through initiatives and innovations. Examples include:

257.1. Airbnb's innovative platform has released a latent supply of accommodation which has been met with a new demand for alternative accommodation. While local platforms had already been connecting some forms of alternative accommodation such as B&B's and guesthouses[905] with guests, the Airbnb platform has opened supply from a more informal source of accommodation such as apartments, houses home-sharing etc.[906]. The innovation allows communities from non-traditional tourist areas to open their homes and supply community-based tourism[907]. The innovation also applies to activities such as Airbnb's Experiences. For example, communities can market cultural tours and local cuisine experiences.

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[904] The same times and pick-up/drop-off location was used for this assessment. A comparison was made between prices for the same car with the same specs, reserved for the same times, duration and location tomorrow (May 13th 2022) and exactly and a week from then (May 20th 2022).

[905] Tripco, OS, p.26.

[906] A major criticism of the Airbnb platform is that the introduction of short-term rentals has attracted property developers and speculators that can benefit from the passive income that short-term rentals generate. The argument is that this has adversely affected communities through increased prices and gentrification (i.e. pushing out community members that can no longer afford to stay in their community). Barron, Kung and Proserpio (2020) found that following a 1% increase in Airbnb listings in the US, the median increase in house prices was 0.026% and the median increase in rentals was 0.018%, known as the "Airbnb Effect". This suggests that as Airbnb listings double, median house prices increase by 2.6% and rent by 1.8%. Having said this, other platforms, such as Booking.com, have entered the market for the provision of a broad range of alternative accommodations. As such the so-called "Airbnb Effect" is a feature of the market. (See: Barker, G. (2020). The Airbnb Effect on Housing and Rent. *Forbes*. Available at: https://www.forbes.com/sites/garybarker/2020/02/21/the-airbnb-effect-on-housing-and-rent/?sh=4efcbc542226 [accessed on 9 May 2020]. Also Barron, K., Kung, E., Proserpio, D (2020). The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb. Electronic copy available at: https://ssrn.com/abstract=3006832 (Accessed on 9 May 2020).

[907] For example., Airbnb has increased the number of township listings on the platform. The number of listings increased by 508% and 200% to 158 and 123 between 2016 and 2019 for Soweto and Tembisa respectively. (Genesis Analytics and Airbnb (2021). The Foundations of Inclusive Tourism. Available at: https://news.airbnb.com/wp-content/uploads/sites/4/2021/09/Genesis-Analytics-Airbnb-The-foundations-of-inclusive-tourism-13-Sept-2021-Final-report.pdf (Accessed on 9 May 2022).

257.2. [redacted]

257.3. Activity platforms such as GetYourGuide have indicated that they have supported several SMEs in South Africa to grow their business and reach more local and international visitors[910]. [redacted] Lastly, GetYourGuide also assisted activity providers by reducing the commissions charged to suppliers due to the disruption caused to the industry by the COVID-19 pandemic.

257.4. Local OTAs such as SA-Venues had initiatives to support townships. For example, it listed the first accommodation in the township Gugulethu and supported it by waiving commissions[911]. Travelstart has an affiliate programme for local entrepreneurs and currently supports 300 independent travel agents[912].

258. The Inquiry finds very little transformation at both the platform level and business user level of the online intermediation market for travel and accommodation. Firstly, the majority of online intermediation is done by global platforms where ownership falls outside South Africa. The remaining local travel and accommodation platforms have limited HDP ownership[913]. Secondly, notwithstanding the operation of several international hotel chains in South Africa such as Marriot, Radisson, Hilton etc., HDP ownership of both small and large hotels is relatively small. According to the Redflank Survey, only 8% of large hotels and 5% of small hotels are HDP

908 [redacted]
909 [redacted]
910 GYG, WS3
911 SA Venues, OS, p.16-17.
912 TS, OS, p.14.
913 [redacted]

owned[914]. HDP ownership is slightly larger when one considers alternative accommodation. A survey run by Genesis Analytics for Airbnb showed found that HDP ownership accounted for 13% of hosts[915]. However, this remains tiny relative to the population distribution.

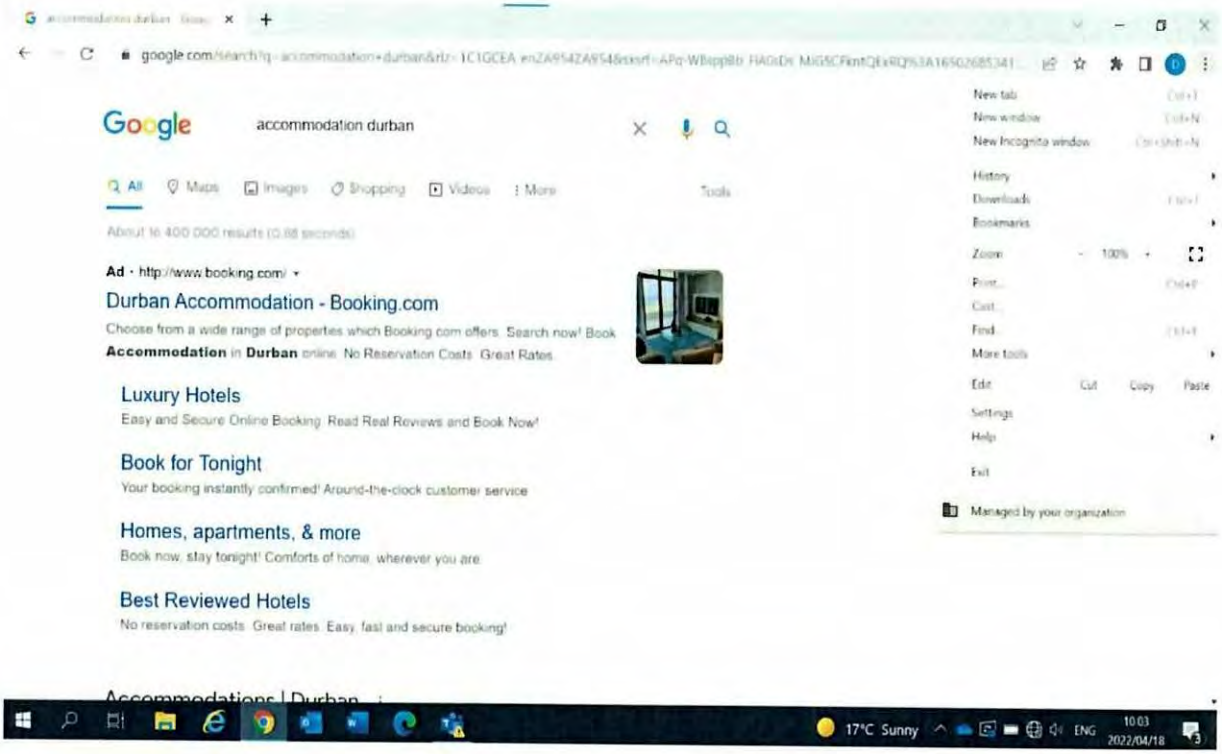
259. Global OTAs such as Booking.com, Agoda and Expedia benefit South Africa in as far as they generate additional demand from international travellers to South Africa that may not have visited otherwise[916]. That aside, global OTAs[917], particularly Booking.com and by extension Booking Holdings, offer little in the way of initiatives, policy and support mechanisms for SME and HDP development[918]. Booking.com (and Booking Holdings) accounted for the lion share of online travel and accommodation intermediation revenues generated in South Africa[919]. In contrast, at best, its investment into South Africa was small[920]. A reason often presented by global OTAs for their non-investment into SME and HDP development initiatives is that South Africa [redacted] Regardless, it is evident that global OTAs account for more revenue generation in South Africa than their domestic counterparts and most of these revenues (generated by global OTAs) appear to go offshore. This represents an outflow of value from the South African economy and a net import of online intermediation services. Many of the global OTA's appear to be extractive in nature, given their lack of investment into South Africa. South African online intermediation platforms have a demonstrable technical and business-savvy ability to deliver online travel and accommodation intermediation services and have the benefit of keeping value in South Africa[922].

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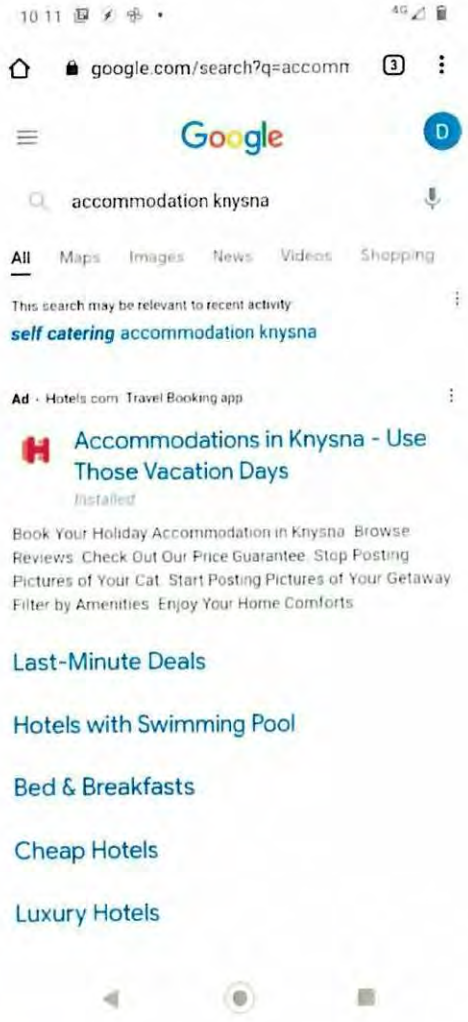
[914] CC survey conducted by Redflank, (2021), slide 92. This follows 23 large hotels and 50 small hotels surveyed.
[915] According to the Genesis Analytics survey, 76% of survey host respondents identified as white, 4% identified as black Africans, and collectively, persons identifying as black African, coloured, mixed race, Asian and Indian accounted for 13% of host respondents. The remaining 11% did not respond. Genesis Analytics and Airbnb (2021). The Foundations of Inclusive Tourism. Available at: https://news.airbnb.com/wp-content/uploads/sites/4/2021/09/Genesis-Analytics-Airbnb-The-foundations-of-inclusive-tourism-13-Sept-2021-Final-report.pdf (Accessed on 9 May 2022).
[916] This excludes international travellers who would have come to South Africa anyways, independent of the marketing efforts of these OTAs.
[917] [redacted]
[919] See Section 1.2.3. of the Report.
[920] For example, in 2019 [redacted]. (Own calculations)
[921] [redacted]
[922] Especially absent market distortions, such as the imposition of expensive Google Ad spend, which typically benefits global platforms with deep pockets and represents an additional outflow of value from South Africa.

Annexures

Annexure A



Annexure B


10 11
google.com/search?q=accomm
Google
D
accommodation knysna
All
Maps
Images
News
Videos
Shopping
This search may be relevant to recent activity
self catering accommodation knysna
Ad · Hotels.com: Travel Booking app
Accommodations in Knysna - Use Those Vacation Days
Installed
Book Your Holiday Accommodation in Knysna. Browse Reviews. Check Out Our Price Guarantee. Stop Posting Pictures of Your Cat. Start Posting Pictures of Your Getaway. Filter by Amenities. Enjoy Your Home Comforts.
Last-Minute Deals
Hotels with Swimming Pool
Bed & Breakfasts
Cheap Hotels
Luxury Hotels

Annexure C


First "paid ad" result
Sub-links
"People also search for" SERP feature
Hotel Ads immersive
Organic results

Annexure D


google.com/se
Google Travel Unit
Rank of 3rd party organic results
1.
2.
3.
4.
5.
6.
7.
8.

List of Appendices

Appendix A: List of submissions received on all RFI's issued

Submission made by	Stakeholder type (e.g., platform, pure online reseller, B&M, CSS)	Submission date	Report shorthand Reference
Booking.com	Platform	21-Jun-21	Bcom, WS1a
Booking.com	Platform	30-Jun-21	Bcom, WS1b
Booking.com	Platform	10-Sep-21	Bcom, WS2a
Booking.com	Platform	30-Sep-21	Bcom, WS2b
Booking.com	Platform	06-Oct-21	Bcom, WS2c
Booking.com	Platform	31-Jan-21	Bcom, WS3a
Booking.com	Platform	18-Feb-22	Bcom, WS3b
Booking.com	Platform	08-Apr-22	Bcom, WS3c
Agoda	Platform	21-Jun-21	Agoda, WS1
Agoda	Platform	20-Sep-21	Agoda, WS2
Agoda	Platform	31-Jan-22	Agoda, WS3
Priceline	Metasearch	30-Jul-21	PL, WS1
Rental Cars	Metasearch	30-Jul-21	Rental C, WS1
Rental Cars	Metasearch	17-Sep-21	Rental C, WS2
Rental Cars	Metasearch	01-Feb-22	Rental C, WS3
Kayak.com	Metasearch	30-Jul-21	Kayak, WS1
Kayak.com	Metasearch	17-Sep-21	Kayak, WS2
Kayak.com	Metasearch	04-Feb-22	Kayak, WS3
Momondo	Metasearch	30-Jul-21	Momo, WS1
Momondo	Metasearch	17-Sep-21	Momo, WS2
Momondo	Metasearch	04-Feb-22	Momo, WS3
HotelsCombined	Metasearch	30-Jul-22	Hotels C, WS1

HotelsCombined	Metasearch	17-Sep-21	Hotels C, WS2
HotelsCombined	Metasearch	04-Feb-22	Hotel C, WS3
Cheapflights	Metasearch	30-Jun-21	Cheapflights, WS1
Cheapflights	Metasearch	17-Sep-21	Cheapflights, WS2
Cheapflights	Metasearch	04-Feb-22	Cheapflights, WS3
Expedia	Platform	30-Jun-21	Expedia, WS1
Expedia	Platform	23-Jul-21	Expedia, WS1.1
Expedia	Platform	30-Jul-21	Expedia, WS1.2
Expedia	Platform	10-Sep-21	Expedia, WS2a
Expedia	Platform	08-Oct-21	Expedia, WS2b
Expedia	Platform	21-Jan-22	Expedia, WS3a
Expedia	Platform	11-Feb-22	Expedia, WS3b
Trivago	Platform	06-Aug-21	Trivago, WS1
Trivago	Platform	07-Oct-21	Trivago, WS2
Trivago	Platform	31-Jan-22	Trivago, WS3
Trip.com	Platform	08-Oct-21	Trip.com, WS2
Skyscanner	Platform	30-Jun-21	SkyS, WS1
Skyscanner	Platform	29-Oct-21	SkyS, WS2
Skyscanner	Platform	05-Feb-22	SkyS, WS3
Airbnb	Platform	23-Jun-21	Airbnb, WS1
Airbnb	Platform	16-Jul-21	Airbnb, WS1.1
Airbnb	Platform	01-Oct-21	Airbnb, WS2
Airbnb	Platform	01-Feb-22	Airbnb, WS3
Tripco	Platform	18-Jun-21	Tripco, WS1a
Tripco	Platform	23-Jun-21	Tripco, WS1b

Tripco	Platform	22-Sep-21	Tripco, WS2
Tripco	Platform	28-Jan-22	Tripco, WS3
Travelstart	Platform	18-Jun-21	TS, WS1a
Travelstart	Platform	26-Aug-21	TS, WS1b
Travelstart	Platform	13-Sep-21	TS, WS2
Travelstart	Platform	04-Oct-21	TS, E2.1
Travelstart	Platform	07-Oct-21	TS, E2.2
Travelstart	Platform	28-Jan-22	TS, WS3
SafariNow	Platform	19-Jan-22	SafariNow, WS3
Bush Breaks	Platform	18-Jun-21	Bush br, WS1
Bush Breaks	Platform	16-Jul-21	Bush br, WS1.1
Computicket	Platform	17-Jun-21	Computicket, WS1
Computicket	Platform	16-Jul-21	Computicket, WS1.1
Computicket	Platform	14-Sep-21	Computicket, WS2
Computicket	Platform	18-Jan-22	Computicket, WS3
Kid & Coe	Platform	06-Jul-21	Kid & Coe, E1
Flight Centre	Platform	13-Jul-21	Flight Centre, WS1
Flight Centre	Platform	30-Sep-21	Flight Centre, WS2
Google Travel & Search	Search engine	01-Jul-21	Google, WS1a
Google Travel & Search	Search engine	30-Jul-21	Google, WS1b
Google Travel & Search	Search engine	10-Sep-21	Google, WS2a
Google Travel & Search	Search engine	24-Sep-21	Google, WS2b
Google Travel & Search	Search engine	01-Oct-21	Google, WS2c
Google Travel & Search	Search engine	08-Oct-21	Google, WS2d
Google Travel & Search	Search engine	17-Jan-22	Google, WS3a
Google Travel & Search	Search engine	26-Jan-22	Google, WS3b

Google Travel & Search	Search engine	04-Feb-22	Google, WS3c
Google Travel & Search	Search engine	18-Feb-22	Google, WS3d
Google Travel & Search	Search engine	08-Mar-22	Google, WS3e
Google Travel &Search	Search engine	04-May-22	Google, WS4a
Google Travel &Search	Search engine	13-May-22	Google, WS4b
Google Travel &Search	Search engine	17-May-22	Google, WS4c
Google Travel &Search	Search engine	10-Jun-22	Google, WS4d
[redacted]	[redacted]	[redacted]	[redacted]
eDreams ODIGEO	Platform	18-Jun-21	eDreams, WS1a
eDreams ODIGEO	Platform	30-Jun-21	eDreams, WS1b
eDreams ODIGEO	Platform	22-Sep-21	eDreams, WS2
eDreams ODIGEO	Platform	17-Jan-22	eDreams, WS3
Domestic Flights	Platform	30-Jun-21	Domestic Flights, WS1
Domestic Flights	Platform	15-Sep-21	Domestic Flights, E2
Homestay	Platform	10-Jun-21	Homestay, E1
Afristay	Platform	18-Jun-21	Afristay, WS1a
Afristay	Platform	30-Jun-21	Afristay, WS1b
Afristay	Platform	23-Jul-21	Afristay, WS1c
Afristay	Platform	21-Sep-21	Afristay, WS2
Afristay	Platform	04-Feb-22	Afristay, WS3
Hostelworld	Platform	04-Jun-21	Hostelworld E1
Hostelworld	Platform	22-Sep-21	Hostelworld, WS2
Viator	Platform	12-Nov-21	Viator, WS2
Viator	Platform	25-Feb-22	Viator, WS3
Tripadvisor	Metasearch	17-Dec-21	TripAdv, WS2
Tripadvisor	Metasearch	14-Apr-22	TripAdv, WS3
Busbud	Platform	29-Oct-21	Busbud, WS2
SA-Venues	Platform	23-Sep-21	SA-Venues, WS2

SA-Venues	Platform	10-Jan-22	SA-Venues, E3
[redacted]	[redacted]	[redacted]	[redacted]
Travelcheck	Platform	20-Jul-21	Travelcheck, E1
Travelcheck	Platform	21-Sep-22	Travelcheck, E2
CarTrawler	B2B Platform	11-Feb-22	Cartrawler, WS3
GetYourGuide	Platform	21-Jan-22	GetYourGuide, WS3
GetYourGuide	Platform	21-Feb-22	GetYourGuide, E3
Ticketpro	Platform	27-Jan-22	Ticketpro, WS3
Travelfusion	B2B Platform	15-Feb-22	Travelfusion, E3
Hotelbeds	Bedbank	28-Jan-22	Hotelbeds, WS3
Hotelbeds	Bedbank	09-Mar-22	Hotelbeds, WS3.1
Travelport	B2B Platform	17-Mar-22	Travelport, WS3
Amadeus	GDS	04-Mar-22	Amadeus, WS3
Flysafair	Business user	22-Sep-21	Flysafair, WS2
Lift	Business user	23-Sep-21	Lift, WS2
Lift	Business user	17-Jan-22	Lift, WS3a
Lift	Business user	25-Jan-22	Lift, WS3b
Comair	Business user	12-Jan-22	Comair, WS3
Airlink	Business user	25-Jan-22	Airlink, WS3

Appendix B: Meetings

Meeting held with	Stakeholder type	Meeting date	Report shorthand reference
Bushbreaks	Platform	13-Jul-21	Meeting with Bushbreaks. 13 July 2021
Kid & Coe	Platform	30-Jun-21	Meeting with Kid & Coe. 30 June 2021
Tripco	Platform	19-Jul-21	Meeting with Tripco. 19 July 2021
Tripco	Platform	05-Oct-21	Meeting with Tripco. 05 October 2021
Airbnb	Platform	23-Sep-21	Meeting with Airbnb. 23 September 2021
Afristay	Platform	14-Jul-21	Meeting with Afristay. 14 July 2021
Travelcheck	Platform	26-Jul-21	Meeting with Travelcheck. 26 July 2021
[redacted]	[redacted]	01-Dec-21	[redacted]
[redacted]	[redacted]	13-Dec-21	[redacted]
[redacted]	[redacted]	30-Nov-21	[redacted]
[redacted]	[redacted]	16-Nov-21	[redacted]
[redacted]	[redacted]	30-Nov-21	[redacted]
Africa People Mover	Business user - buses	02-Dec-21	Meeting with APM. 02 December 2021
Xtreme Car rental	Business user- car rental	06-Oct-21	Meeting with Xtreme car rental. 06 October 2021
Flysafair	Business user - flights	02-Dec-21	Meeting with Flysafair. 02 December 2021
[redacted]	[redacted]	28-Oct-21	[redacted]
FlightCentre	Platform	14-Sep-21	Meeting with FlightCentre. 14 September 2021
Nightsbridge	B2B	13-Jul-21	Meeting with Nightsbridge. 13 July 2021
[redacted]	[redacted]	03-Feb-22	[redacted]
Trans-end	B2B	25-Feb-22	Meeting with Trans-end. 25 February 2022

Appendix C: Statement of Issues

Submission made by	Stakeholder type	Submission date	Report shorthand reference
Booking.com	Platform	22-Jul-21	Bcom, SOI
Airbnb	Platform	23-Jun-21	Airbnb, SOI
Travelstart	Platform	16-Jul-21	TS, RSOI
Homestay	Platform	23-Jun-21	Homestay, SOI
Hostelworld	Platform	25-Jun-21	Hostel, SOI
Google	Search engine	27-Jul-21	

Appendix D: Further statement of Issues

Submission made by	Stakeholder type	Submission date	Report shorthand Reference
Hostelworld	Platform	22-Sep-21	Hostel, FSOI
FlightCentre	Platform	30-Sep-21	FlightCentre, FSOI
Google	Search engine	30-Sep-21	

Appendix E: Public Hearings

Meeting held with	Stakeholder type	Meeting date	Report shorthand Reference
Tripco	Platform	04-Nov-21	Tripco, OS
SA Venues	Platform	04-Nov-21	SA Venues, OS
Flightsite	Platform	04-Nov-21	FlightS, OS
Google Search, Travel	Search engine	04-Nov-21	Google, OS
ATKV	Business user - Accommodation provider	05-Nov-21	ATKV, OS
Travelstart	Platform	05-Nov-21	TS, OS
SafariNow	Platform	05-Nov-21	SafariNow, OS
Expedia	Platform	15-Nov-21	Expedia, OS
Avis	Business user - Car Rental	18-Nov-21	Avis, OS
eDreams Odiego	Platform	18-Nov-21	eDreams, OS
Intercape	Business user- Buses	18-Nov-21	Intercape, OS
South African Vehicle Rental and Leasing Association	Business user - Car Rental	18-Nov-21	SAVRALA, OS

Appendix F: In-Camera sessions

In-camera session with	Stakeholder type	Hearing date	Report shorthand Reference
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]