GOOGLE FLIGHT SEARCH

IS GOOGLE KEEPING ITS PROMISES ON ITA SOFTWARE?
ONE COMPANY, GOOGLE, DOMINATES SEARCH

Google controls more than 79% of search in the U.S. and up to 94% in some EU countries.

Its closest competitor, Bing, conducts only 9% of general searches.

And don’t forget about mobile search, where Google has even more control.
Google acknowledges it faces competition from “vertical search engines and e-commerce sites, such as WebMD (for health queries), Kayak (travel queries), Monster.com (job queries), and Amazon.com and eBay (commerce).”

“These vertical markets, which like online travel search, serve specialized needs, require unique inputs and/or technology, and are narrow enough to prevent Google’s tremendous scale advantage from overwhelming competition, are in a sense all that remains of the online search frontier.”

“Maintaining competitive markets for both general and niche search may be the only alternative, ultimately, to an unregulatable monopoly.”

American Antitrust Institute 2/18/11
GOOGLE LOOKS TO DOMINATE VERTICAL SEARCH

In order to protect and extend its dominance in search and search advertising, Google is expanding into these areas of vertical search and giving preferential placement to its own sites.

GOOGLE, WITH ITS MONOPOLY POWER, HAS BOTH THE INCENTIVE AND THE ABILITY TO EXCLUDE COMPETITORS IN THIS MANNER.
**GOOGLE SAYS...**

“We believe users come first.”
“We believe in choice.”
“We believe in transparency.”

Google’s “Facts about Google and Competition”

“We built Google for consumers, not websites.”

Google’s “Facts about Google and Competition”

**THE PROBLEM?**

“The goals of the advertising business model do not always correspond to providing quality search to users.”

Google founders Larry Page and Sergey Brin in their Stanford thesis that formed basis for the company
CASE STUDY: GOOGLE FLIGHT SEARCH

“In mid-2010, Google got serious about travel. Given that over half of travel sales are consummated online, Google wasted no time with DIY solutions. It went shopping and bid $700 million in cash to buy ITA Software, a Cambridge (Mass.)-based travel software company that was founded in 1996 by scientists at MIT to provide search services for airlines and other travel operators.” [Bloomberg 2/13/11]

WHAT GOOGLE SAID:

![Google's acquisition of ITA Software](image)
“Google’s acquisition of ITA Software will create a new, easier way for users to find better flight information online, which should encourage more users to make their flight purchases online.”

Consumers expect the most relevant result to be listed first.

But is Google Flight Search really the best tool for answering a user’s travel search query?

**LET’S TAKE IT FOR A TEST DRIVE...**
Right away, Flight Search appeared to be “hard-coded” as the top entry “organic” result similar to how Google preferences Maps or Finance.

Vertical search competitors (in this case companies like KAYAK, Expedia and Orbitz) are pushed out of “organic” search results and, in order to be seen, must pay for advertising.

Are these really the most relevant search results?
Unlike most travel search engines, Google Flight Search does not initially sort by price.

A query from LAX to JFK on Google yields a top result priced at $1,311.

This result is several links above less-expensive, similar flights priced at $996.
Google Flight Search excludes from its own results fares provided through other online travel sites, like Expedia, Travelocity and KAYAK.

By excluding these companies from its searches, Google prevents consumers from seeing special fares the airlines have negotiated with consolidators which combine multiple carriers.

Instead, consumers trying to book multiple-carrier flights on Google are instructed to visit the individual airlines’ websites to purchase one-way tickets for each of the legs (no links are provided).

This decreases the likelihood that the consumer will actually book this lower-priced flight.
Google’s Flight Search only links consumers to a subset of airlines for booking. Instead, many users are sent to the airline website where they are forced to redo their search.

**USERS OFTEN UNABLE TO BOOK TICKETS**
Google’s Flight Search initially lists flights by departure time. However, a box at the bottom indicates some carriers are excluded. Clicking on the “show all results” reveals additional results – without any obvious reason for exclusion. At best, it’s an inconvenience to users resulting from its algorithm. At worst, Google has some economic incentive to exclude these carriers and favor the others.

According to DOT guidelines, “TO THE EXTENT AN OTA OR GDS ENGAGES IN DISPLAY BIAS, IT MUST CLEARLY AND CONSPICUOUSLY DISCLOSE THAT FACT.”
In some incidences, Google Flight Search returns fares that are not available on the carriers’ sites and actually cannot be booked by consumers.
POTENTIAL CONSUMER PROTECTION VIOLATIONS?

GOOGLE’S INITIAL ROLLOUT OF FLIGHT SEARCH MAY VIOLATE U.S. DEPARTMENT OF TRANSPORTATION CONSUMER PROTECTION RULES THAT ENTITIES SELLING AIR TRAVEL MUST FOLLOW.
DISCLOSURE OF CODE-SHARING ARRANGEMENTS

DOT requires that flight information on the first screen must include both the name of the carrier operating the flight and the trade name under which it does business.

DOT Secretary Ray LaHood underscored the importance of these disclosures for consumers:

“WHEN PASSENGERS BUY AN AIRLINE TICKET, THEY HAVE THE RIGHT TO KNOW WHICH AIRLINE WILL BE OPERATING THEIR FLIGHT.”
To assist consumers, DOT requires websites which sell air travel to indicate – on the first page that includes specific fare information – if baggage fees may apply, and how consumers can locate these fees.

From a KAYAK flight search

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Prices are per person and are for e-tickets and include all taxes & fees in USD. We make every attempt to get accurate prices, however, prices are not guaranteed.

The fares displayed in Kayak Banner ads include all taxes and fees for economy class travel and were found by Kayak users in the last 72 hours. Fares are limited and may not be available on all flights and days. Fares are subject to change and may not be available on all flights or dates of travel. Some carriers charge additional fees for extra checked bags. Please check the carriers’ sites.

Hacker Fares look for better round-trip deals by combining two tickets issued by different airlines for each direction of travel. Because two tickets will be issued, different rules and policies (for example, for baggage fees, change fees, and refunds) may apply in each direction. Any changes made to one of your tickets will not affect the other ticket (for example, if your initial flight is cancelled by either you or the airline, the other airline with which you booked your return flight is not obligated to issue a refund or change your itinerary). You are responsible for complying with each airline’s terms and conditions, which may differ (for example, check-in times and limits on baggage size/weight). Please carefully review the details of each airline’s contract before booking, and ensure that you complete the booking requirements for both tickets. Because fares change frequently, please check that both of the listed fares are still available before proceeding with your bookings. If you are traveling internationally, you may need to provide proof that you have a return flight at check in and at immigration. You may want to print both of your e-ticket confirmations before starting travel.

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Google results fail to identify on the first page that bag charges may apply.
SO WHY WOULD GOOGLE STEER CONSUMERS TOWARD AN INFERIOR FLIGHT SEARCH PRODUCT?
GOOGLE BLAMES THE AIRLINES

Jeremy Wertheimer (ITA founder and now Google Vice President of Travel) appeared at the PhoCusWright Travel Conference shortly after the roll-out of Google Flight Search.

Wertheimer confirmed that Google Flight Search would not include online travel agencies such as Expedia, Priceline and Travelocity or metasearch engines like KAYAK in the Flight Search results. **Google Flight Search would only return airline results.**

Google’s reasoning?

“**THE AIRLINES DON’T WANT THE ONLINE TRAVEL AGENTS INCLUDED.**”

WHICH RAISES INTERESTING QUESTIONS: Do all the airlines object to including online travel agents? Or is Google working with a few airlines to exclude the online travel agents, and smaller airlines?
Sandra Heikkinen, a Google spokesperson, says: “Like any other partner, Google needs to honor the airline’s distribution decisions. With the Flight Search feature, that means we can only show airlines in the booking links.”

She goes on to say, “We are exploring advertising opportunities within the page to showcase the products and services from other relevant partners, including our OTA and metasearch partners. The new ad format experiment is an example of that exploration.”

In other words, this arrangement ensures more ad revenue for Google.
As Google founders Sergey Brin and Larry Page wrote while students at Stanford:

“ADVERTISING INCOME OFTEN PROVIDES AN INCENTIVE TO PROVIDE POOR QUALITY SEARCH RESULTS.”

Since online travel agents and metasearch engines are not included in the “organic” results, these sites must purchase Google’s ad space to remain visible to consumers.
There is another plausible reason for Google to exclude online travel agencies and metasearch providers, which often provide consumers with greater choices and lower priced fare options:

**GOOGLE IS MOVING TOWARD A COST-PER-ACQUISITION (CPA) ADVERTISING MODEL.**

What’s the big deal?

A CPA model would mean that Google would get paid when a user purchases a ticket (from the Flight Search page). With a CPA model, Google would receive a percentage of the sale. *(In the past, Google has employed a “cost-per-click” (CPC) model. That means whenever a user clicks on an ad on a Google site, Google gets paid a fixed fee.)*

And if Flight Search ads are being sold as CPA ad units, then Google benefits when consumers pay more for airfare.
One step closer to selling tickets?

During the investigation of Google’s acquisition of ITA Software, Google stated that it had no plans to sell airline tickets.

What Google said:

But on March 1, 2012, Google announced a new partnership with Cape Air where it would now support “the airline’s reservations, inventory control system and departure control system.” That means Google is directly powering the system that sells airline tickets.

Or, as Tnooz put it: “So Google is a search engine, advertising business, browser and mobile operating system developer — and now you can add airline reservations system provider to the mix.”
GOOGLE FLIP-FLOPS ON ONLINE TRAVEL AGENCIES

After the launch of Flight Search, Google defended the omission of online travel agencies stating that “the airlines don’t want the online travel agents included” and “Google needs to honor the airline’s distribution decisions. With the Flight Search feature, that means we can only show airlines in the booking links.”

But on March 15, 2012, Google went back on this promise, adding Orbitz to the Flight Search results.

Orbitz’s inclusion in the results begs several questions: Have the airlines changed their minds? Why is Orbitz the only online travel agency in the results? Is excluding other online travel agencies and metasearch sites that provide transparency and choice really in the best interest of consumers?

At the same time, Google added international flights to Flight Search (as the European Union continues its investigation into Google’s conduct).
WHAT EXPERTS ARE SAYING

With Google Flight Search, “[consumers] are not going to get an impartial search result with multiple choices like a traditional OTA, but instead are likely to end up with a limited menu of options, as dictated by the airlines.”
Joseph Rubin, president of the Interactive Travel Service Association in a guest post on Tnooz 12/7/11

“I can’t imagine this breathtaking dominance escaping the attention of regulators much longer. But if it does — if Google takes over travel — there could be serious and long-lasting consequences that could harm consumers and businesses. Imagine what might happen to an airline or hotel company that disagrees with the way Google prices its products when it holds a commanding market share in travel? It could be cut off from millions of customers with a single keystroke. What if Google knocks off one or two online travel agencies, or a company such as Kayak, which searches multiple sites for flights? Where do we go when our only viable option is Google? What would happen to innovation when one company controls so much?”
Chris Elliott, consumer advocate and nationally syndicated columnist in the Washington Post 1/4/12

Google Flight Search, at first only providing glimpses of itself if one searched for it has now come front and center. If anyone had any doubt that Google is skewing its “search” results to help itself, there cannot be any doubt now…Under the guise of airline search, Google is presenting self-serving results with the intent to put competitors, who once paid them for ads based on search, out of business. Worse, the Google Flight Search result that sits at the top of the faux search results isn’t even labeled “advertisement,” which it sure as heck is.

Consumers are being misled today and tomorrow, after Google puts competitors out of business, they will find themselves being fleeced.
Consumer Travel Alliance 12/19/11

Google Flight Search is “limiting consumers’ knowledge. This is a situation where Google is trusted as a ‘search engine’ that goes across the whole Web, but it is only going to a small select group of airlines and including them in Flight Search…Google and the airlines have a sweetheart deal with each other, and the consumers are getting screwed.”
Charlie Leocha, director of the Consumer Travel Alliance to Travel Weekly 12/4/11
WHAT DOES IT MEAN FOR CONSUMERS?

HIGHER PRICES
FEWER CHOICES
LESS INNOVATION

And it’s not just in travel search…
GOOGLE’S BEHAVIOR HARMS CONSUMERS

Google’s abuse of its monopoly power harms competition and consumers in multiple ways.

**ADVERTISERS:** Advertisers pay ever-higher fees to Google and have little choice but to accept Google’s arbitrary terms.

**WEBSITES AND CONTENT CREATORS:** Websites lose traffic when Google steers users to its own or preferred partners’ sites. This means competitors have to increase their advertising spend on Google to try to make up for that lost traffic.

**CONSUMERS:** Consumers are misled by Google’s manipulated search rankings and deceptive and preferential display of its own sites in response to users’ queries. More broadly, consumers pay more for goods and services because advertisers are paying more to Google and because of diminished competition among websites. Further, Google’s exclusionary conduct denies revenue and traffic to sites that compete with Google, hindering the ability of those sites to bring more innovative online content and better services to consumers.

**WHY SHOULD I CARE?**

Google’s abuse of its monopoly power harms competition and consumers in multiple ways.
Google’s control over access to information on the Internet threatens both existing and new Internet businesses. Simply put, Google’s market power and anticompetitive practices inhibit other Internet businesses from competing by denying those companies the user traffic and revenue they need to develop new products, support innovation, create jobs, and foster economic growth. For those who are unable to win Google’s favor or those seeking to enter Internet commerce, Google’s practices present a barrier to entry and an obstacle to competing on the merits. Which again harms: Consumers!
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