

**Response of Jeffrey Katz, Chief Executive Officer, Nextag, Inc.
Before the Senate Committee on the Judiciary, Subcommittee on Antitrust, Competition
Policy and Consumer Rights**

**Hearing on “The Power of Google: Serving Consumers or Threatening Competition?”
September 21, 2011**

Questions for the Record from Sen. Lee

1. *In the study of price comparison sites I referenced during the hearing, Google Shopping consistently ranked first or third when common shopping queries were entered into the general search box.*
 - a. *Does Nextag experience similarly consistent Google search rankings or do its rankings vary across different search terms?*

Nextag has experienced similar results, and the data clearly have shown that Google rigs its results to favor Google Shopping. For example, we conducted a study of 40,000 product shopping keywords in November 2010. Google appeared in response to product shopping related searches in one of the first 4 positions more than twice as often as all other main product shopping vertical search engines *combined* – Google Product Shopping results appeared in the first 4 results for 32,081 of the 40,000 searches and other product shopping vertical search engines combined appeared in the first 4 results for 15,454 of the searches.¹

Consistent with the study cited by Sen. Lee, Google Shopping almost never appeared in natural rank #2. Google Shopping appeared in Rank #2 only 384 times, while it appeared in Rank #1 more than 16,200 times and in Rank #3 more than 11,200 times. Analyzing this odd lack of Rank #2 showed that every time that Google Shopping appeared in Rank #2, a different Google service appeared in Rank #1. In other words, Google Shopping appeared in Rank #2 only when it was bumped out of Rank #1 by Google Related Search, Google News or other Google services. Eliminating the times when Google appeared in Rank #2 because Google had also taken Rank #1, Google appeared in Rank #2 exactly - never. Google Shopping never appeared in Rank #2 with a non-Google result above it.

We have not replicated this study since November 2010 and our experience is that Google changes practices when criticized to make further analysis difficult. We expect Google to adjust the algorithm after the hearing to provide for a more balanced distribution of results.

¹ Other product shopping related search engines included were PriceGrabber, Shopping.com, Shopzilla, Nextag, Bizrate, TheFind, ShopWiki, and Yahoo! Shopping.

For example, our anecdotal experience suggests that Google's placement of Google Shopping results is more diverse since the hearing.

As Sen. Lee noted, in addition to preferencing itself through its rank, Google also preferences the Google Shopping results by including specific product listings with updating pricing information and by using superior formatting and appearance, including by providing pictures and more space for Google Shopping results compared to results from other comparison shopping services.

b. What impact do Google Shopping's consistently high results have on Nextag's search traffic?

We believe that Google's preferencing of its own results has two effects on competing shopping search engines. First, it reduces the number of users that Google refers to other shopping search engines – in short, Google will direct more shopping users to Google Shopping and will send fewer to other shopping sites. Second, we believe that the users who find Nextag far down the page, after having already been exposed to several comparison shopping results, are less likely to be actively shopping. In short, Google siphons off the most attractive users – the users who are most actively shopping and comparing prices. The users who find Nextag are likely to be less interested in comparing prices, or are not as ready to buy. For example, the screenshot below shows how a user might find Nextag – as shown in the green boxes, Google inserts two sets of vivid, robust shopping results, both of which appear “above the fold” for ease of visibility for the user. To find Nextag, the user would have to scan through these and scroll down the page to find Nextag's bland listing near the bottom.

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Google ice chest  [Advanced search](#)

Search About 8,800,000 results (0.11 seconds)

Everything

Images

Maps

Videos

News

Shopping

More

San Mateo, CA

[Change location](#)

Any time

Past hour

Past 24 hours

Past week

Past month

Past year

Custom range...

All results

[Sites with images](#)

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Shopping results for ice chest

 [Great White Marine Coolers Igloo](#)
\$715.00
globalindustrial

 [Igloo 44465 marine chest cooler 250](#)
\$797.94
ZORO Tools

 [Igloo Coolers - 44352 48 QT MARINE](#)
\$48.35
Wholesale Marine

 [Coleman Cooler With Molded Handles](#)
\$22.99
Target

 [Aluminum Diamond Plate Ice Chest](#)
\$149.99
Kotula's

Ice Chest - Ice Box - Large Cooler | YETI Coolers
www.yeticoolers.com/
 Looking for a large cooler, **ice chest**, or ice box? Yeti Coolers are of the highest quality. Yeti Coolers - Wildly Stronger! Keep Ice Longer!
 YETI Online Store - Tundra Series - Special Edition YETI® Coolers - Accessories

Welcome to Igloo - Igloo Products
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 Narrow Results by: Size, Large Group, Personal, Features, Wheels, Sustainable, Activity, Boating & Fishing, Lunch, Type, Ice Sheets, Series & Collections, ATC ...
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Shopping results for ice chest

 [Igloo 44354 Ice Chest 54 Qt](#)
★★★★★ 28
\$36

 [Igloo 6776 25 Qt. Capacity Volume Marine](#)
\$20
[Find nearby](#)

 [Igloo 45332 Ice Chest 70 Quart Maxcold Roll](#)
\$45

 [Coleman Value Ice Chest \(6277-718G\)](#)
\$14
[Find nearby](#)

 [Igloo 44358 72 Qt. Capacity Volume Marine](#)
\$71

Coolers | Ultimate Cooler | Ice Chest | Coleman Coolers
www.coleman.com/coleman/coleman.com/subcategory.asp?...8581
 Coleman coolers and **ice chests**. Ultimate extreme cooler and ultimate extreme wheeled cooler with two-way handles and channel drain for no tilt draining.

Ice Chests - Beverage, Styrofoam, Soft Sided and Rolling Coolers at ...
www.acehardware.com » Home » Tailgating Shop
 Shop Coolers at acehardware.com and receive free shipping to your local Ace, the Helpful Place.

Playing it Cool - Which Ice Chest is Best?
www.boatersworld.com/static/bw/articles/product/best-icechest.html
 PLAYING IT COOL - WHICH ICE CHEST IS BEST? (Reprinted Courtesy of Trailer Boats Magazine) By Ron Ballanti. We put a six-pack of coolers through a ...

Coolers | Blue Ice | Ice Chests | Rubbermaid
www.rubbermaid.com/Category/Pages/Category.aspx?CatName...
 Coolers, blue ice, **ice chest** and other cooler accessories.

ice chest | eBay
home.shop.ebay.com/Coolers-Ice-Chests-/79691/i.html?...ice+chest
 eBay: **ice chest** ... Advanced. Related Searches: vintage, cooler, beer cooler, ice chest pink, wooden **ice chest**, or browse this category. Include description ...

Ice Chest - Compare Prices, Reviews and Buy at Nextag - Price ...
www.nextag.com/ice-chest/stores.html
 Matches 1 - 30 of 766 - **Ice Chest** - 766 results like the Global Industrial Maxcold Series **Ice Chests**, Igloo 13018, Global Industrial Marine Series **Ice Chests**, Igloo ...

Igloo® 128 Quart Marine Ice Chest | Bass Pro Shops
www.basspro.com/Igloo-128-Quart-Marine-Ice-Chest/.../135067
 Shop the Camping department for Igloo® 128 Quart Marine **Ice Chest** today from Bass Pro Shops. [View all items for quality.](#)

2. Links that are accompanied by images tend to have higher click-through rates. Google search results linking to Google Shopping are almost always accompanied by images of relevant products, while Nextag's links are limited to the standard, text-only style.

a. What impact has this preferential display had on Nextag's ability to draw traffic to its site?

We believe that Google has used a variety of tactics to direct users to the preferenced Google Shopping results and away from other shopping search engines like Nextag. As noted elsewhere, Google puts its results near the top of the page. Google also provides superior formatting by including pictures and prices in a result that has neat and organized formatting and more space on the page. These results also tend to appear “above the fold” so they are immediately visible to users, unlike the results for other shopping services that appear lower on the screen. We believe that the various types of preferential display have given Google a significant advantage and have resulted in a significant reduction in traffic to other comparison shopping sites, without allowing users an opportunity to view similar results from the competing sites.

Additionally, we believe that the preferential display allows Google to retain the most serious shopping users for the Google services. As a result, the users who find Nextag are less likely to be interested in comparison shopping, and the performance of the traffic from Google has declined accordingly.

Also reference Item 1.

b. What impact does decreased traffic to Nextag have on the merchants whose products appear on the site?

Nextag provides significant benefit to merchants. Nextag’s services are a powerful driver of sales and growth for thousands of merchants across the United States, and a valuable tool for consumers to find products at great prices from outstanding merchants. Consumers who visited merchants from the Nextag sites purchased more than \$1 billion of products in 2010². Thousands of merchants have registered with Nextag and provided inventory information to list their products on our sites – in short, merchants benefit from working with us and recognize the value of our services in growing their customer relationships, sales and businesses.

We believe that decreased traffic to merchants limits their options for finding and attracting new consumers, and leaves them more reliant on Google.

3. A frequent complaint against Google from other businesses is that their page rank drops unexpectedly and significantly in organic results or that their ad prices rise substantially overnight.

a. Have you experienced such sudden changes?

² Source: Nextag internal estimates based on merchant sales data.

We have experienced sudden changes in the natural search visits from Google, without warning or explanation. For example, we have experienced very severe penalties to a number of our sites.

b. Has Google explained any such sudden changes?

We have asked Google why we were penalized, both through the formal process of requesting a reconsideration and through backchannel discussions with our ad sales team at Google and other Google employees. Jeff Katz, our CEO, also sent a personal letter to Larry Page requesting that the penalty be lifted. Google either refused to provide any information on the rationale for the penalty or simply did not respond.

c. What do you believe to be the cause of any such changes?

We have not been able to identify any issues with our sites to justify these changes. We assume these penalties are driven by anticompetitive animus.

d. Is it possible that the quality of your site simply does not merit a high quality score?

No. Our sites have been displayed prominently in Google's natural search results for many years, and the content and features on our sites have continued to improve. We made no changes to precipitate the drop in traffic. The quality of our sites did not degrade to justify the drop in natural traffic. Moreover, other of our sites, such as our site in France, continue to be ranked highly even though the content does not differ significantly from the penalized sites.

e. If you are dissatisfied with Google, why not switch to another ad publishing service?

Google has a dominant position in both natural search and paid advertising. There is no other ad publishing service, or combination of services, that could provide any meaningful substitute for Google. In short, there are no choices, nobody to whom we could switch.

In fact, Nextag has been attempting for years to diversify traffic sources. We continue to be early users of other advertising platforms and advertising types in an effort to reduce our reliance on Google. In spite of our efforts, we have been unable to find effective alternatives to Google.

4. Google has suggested that its services, like Google Shopping, are simply a means of responding to customer demand. Do you believe that consumers benefit from having immediate shopping results prominently placed in Google search results?

Google's argument that including shopping listings in the natural results benefits users is irrelevant to the question of whether Google's preferencing of *its own services* is wrong. Google could show product listings from other companies, such as Nextag, but it does not because it wishes to provide a competitive advantage to Google Shopping. Providing shopping listings does not mean that Google has to provide results only from Google Shopping. As a result, the benefit of providing shopping listings has nothing to do with the appropriateness of using only Google Shopping for those results.

In addition, Google's inclusion of Google Shopping listings generally does not allow users to arrive at merchants' sites more quickly than linking to a comparison shopping site, and Google has greatly exaggerated the value of the shopping listings in the natural results. The screenshot below shows a typical Google results page, which includes Google Shopping results circled in green. Google shows the user several products, but Google does not provide the user with the ability to click out directly to a merchant from any link in the green circle. Any click on the shopping results in green will take the user to another Google page, a Google Shopping page.

The screenshot shows a Google search for "leaf blower". The search bar at the top contains the text "leaf blower" and a magnifying glass icon. Below the search bar, the text "Search" is displayed in red, followed by "About 1,510,000 results (0.18 seconds)".

On the left side, there is a sidebar with navigation options: "Everything", "Images", "Maps", "Videos", "News", "Shopping", and "More". Below these, there is a section for "San Mateo, CA" with a "Change location" link. Further down, there is a section for "Any time" with options for "Past hour", "Past 24 hours", "Past week", "Past month", "Past year", and "Custom range...". At the bottom of the sidebar, there is a section for "All results" with links for "Related searches" and "More search tools".

The main content area displays several search results. At the top, there are three sponsored links (Ads) for "Leaf Blower At Lowe's", "Leaf Blowers At Ace", and "Leaf Blower at Sears". Below these, there is a section for "Related searches for leaf blower" with links for "Brands: Stihl, Honda, Echo, Toro, Black and Decker" and "Stores: Sears, Troy-Bilt, Amazon, Northern Tool, Home Depot".

The "Shopping results for leaf blower" section is circled in green. It displays five product listings with images, prices, and ratings:

- Toro 51599 - Ultra Blower Vac Handheld: \$60, 350 reviews, 5 stars.
- Black & Decker Lawn & Garden LH4500 12 Amp: \$54, 52 reviews, 5 stars.
- Toro 51592 - Super Blower Vac Handheld: \$30, 51 reviews, 5 stars.
- POSITEC USA INC WG500 WorxTrnVac: \$73, 58 reviews, 5 stars.
- Husqvarna 125BVX - Consumer 28cc: \$170, 25 reviews, 5 stars.

Each listing includes a "Find nearby" link. Below the shopping results, there are several organic search results for "Leaf Blowers", "Backpack Blowers", "Handheld Blowers", and "STIHL".

On the right side of the page, there are several sponsored links (Ads) for "Worx Air Wg540 5.18 V Cordless 120 Mph", "Toro Electric Ultra Blower/Vac 12 Amp", "Weed Eater EBV215 12 amp 215 mph Electric", "True Value Leaf Blowers", "Shop For Leaf Blowers", "Leaf Blower", "Leaf blower", and "Hand Held Leaf Blowers".

For example, clicking on the far right product takes the user to the Google Shopping page shown below. Clicking on a Nextag link that Google returned in the natural results would take the user to a similar page on the Nextag site. In short, the Google Shopping listings in the natural results usually does not take the user closer to the merchant or speed her time to find a merchant – it simply keeps the user on Google while she does follow-up searches.

5. *Critics have suggested that small businesses are disadvantaged in both Google Shopping results and ad displays.*

a. *Do you believe this criticism is accurate?*

We do believe that small businesses are disadvantaged in Google Shopping. In the default display of Google Shopping, the only way for a merchant to stand out from Amazon, WalMart, Home Depot, etc., and in many cases the only way to make their way onto the first page of merchants, is to offer the lowest price of any merchant; just having lower prices will not necessarily work.

We believe that Google's default algorithm for ordering merchants in the Google Shopping results also is skewed in favor of the largest retailers and most significant advertisers. For example, Google shows a user searching for a "Canon t3i" digital camera a veritable who's who of the biggest merchants (and advertisers) on the first page of search results – Amazon, WalMart, Target, etc., as shown below.



#1 in Digital Cameras

Photographers looking for an easy-to-use camera that will help them create their next masterpiece need look no further than the Canon EOS Rebel T3i. The next in a long line of phenomenal compact DSLRs, the EOS Rebel T3i continues the Rebel tradition of easy operation, compact design... [more »](#)

with Canon EF-S 18-55mm IS II lens - \$600 new [Add to Shopping List](#)

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1 - 10 of 217



While the merchants on the first page are fine merchants, they are not necessarily the best merchants for this product. For example, not on the first page of results is RhytherCamera, which has five stars from 401 seller ratings and a price that is less than any of the major retailers on page 1. But Rhyther, which is not a major advertiser or large merchant, is relegated to page 8 of the results. Similarly, 42nd Street Photo has 4 ½ stars with 1,715 ratings and a price of \$749, but is on page 3 of the results.

Google product search canon t3i



Canon EOS Rebel T3i Digital SLR Camera with Canon EF-S 18-55mm IS II lens

\$600 online, \$850 nearby

★★★★★ 357 reviews  42

#1 in Digital Cameras

January 2011 - Canon - SLR - Optical Viewfinder - 18 megapixel - Crop Sensor - 3 x optical zoom - CMOS - Standard SD - SDHC - SDXC - Pop-up Flash - ISO 12800

Photographers looking for an easy-to-use camera that will help them create their next masterpiece need look no further than the Canon EOS Rebel T3i. The next in a long line of phenomenal compact DSLRs, the EOS Rebel T3i continues the Rebel tradition of easy operation, compact design... [more »](#)

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Relevance ▼	Seller rating	Condition	Tax and shipping (estimated)	Total price	Base price
Vision Computers	★★★★★ 183 seller ratings	New			\$937.99
Underbid Show all 3	No rating	New	Tax: \$92.27 + Shipping: \$15.75	\$1,054.39	\$946.37
nuLime Show all 2	★★★★★ 411 seller ratings	New	No tax + Shipping: \$18.24	\$918.23	\$899.99
CompuBizUSA 	★★★★★ 952 seller ratings	New	Tax: \$94.16 + Shipping: \$49.90	\$1,059.90	\$915.84
alvio.com	★★★★★ 129 seller ratings	New			\$972.00
RytherCamera Show all 4	★★★★★ 401 seller ratings	New	No tax + Free shipping	\$729.00	\$729.00
evsonline.com 	19 seller ratings	New			\$949.95
Aztekcomputers	★★★★★ 57 seller ratings	New	Tax: \$76.59 + Shipping: \$7.65	\$1,004.93	\$920.70
Video and Audio Center 	15 seller ratings	New	Tax: \$82.87 + Free shipping	\$932.86	\$849.99
M-Shopping Show all 2	No rating	New	No tax + Free shipping	\$679.00	\$679.00

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71 - 80 of 218 [<](#) [>](#)

Done

b. How does this phenomenon affect consumer welfare?

Google Shopping appears to reward the biggest advertisers regardless of whether they offer the best price or service. As a result, consumers often will pay too much or not receive the best service.

6. What do you believe are the appropriate remedies to the issues raised by Google's behavior?

The only sure remedy is to separate Google as content provider from Google as content distributor. As noted by Sen. Blumenthal, Google runs the racetrack and provides some of the horses. The only way to ensure a fair and level playing field is to divest the Google content sites so that the motivation for bias is removed.

Other remedies should be focused on ensuring that Google provides a level playing field for all competitors. While we are not best positioned to evaluate specific ways to accomplish this, the key is that Google should provide a level playing field and not rig the results in their own favor. If they have one algorithm for their results, or put their results at the top, they should do the same for competitors. If they use a better format and appearance for their services, they should do the same for competitors. If they have new ad formats, they should make them available to all advertisers. If they banish a competitor to the deepest bowels of the search results, they should tell the competitor what they have done wrong.

Most importantly, Google can't simply be told to go forth and sin no more. Don't underestimate the damage that Google has done already, and the advantage they have taken. Google's wants to start the marathon from mile 15. They need to be at the starting line with everyone else.