



**TESTIMONY ON THE “A FAIR PLAYING FIELD?
INVESTIGATING BIG TECH’S IMPACT ON SMALL BUSINESS.”
BEFORE THE COMMITTEE ON SMALL BUSINESS, US HOUSE OF REPRESENTATIVES**

Allyson Cavaretta
Principal/Owner
Meadowmere Resort
Ogunquit, Maine

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I. Introduction

Chairwoman Velazquez, Ranking Member Chabot, and Members of the Committee:

I am Allyson Cavaretta, a resident of Maine, a University of Notre Dame graduate from the Mendoza College of Business, Marketing Management, cum laude, three generations in small business and a principal at my family business of over 35 years, the Meadowmere Resort in Ogunquit Maine.

I thank you for the opportunity to speak with you today about why Congress should look closely at the impact of Big Tech on Small Business. I will be speaking to the effects of recent actions by Google in the travel landscape. However, please know that I do not stand alone. Many of my concerns translate across the Small Business ecosystem as can be seen in supporting documentation.¹ As recently as November 6th, the multi-billion dollar company Expedia expressed concerns about a level playing field with Google². On just November 8th Bloomberg described Google Search Ads behavior as

¹ See Exhibit Supplement provided as separate pdf document

² <https://www.geekwire.com/2019/google-moves-travel-expedia-group-ceo-calls-level-playing-field-search-results/>



“crushing” and “wiping out wiping out a combined market value of more than \$13 billion from the three online travel agents”³. When these large companies are impacted by billions in just six months, there is all the more urgency to consider the impact on small businesses.

II. Testimony Summary

I am here today for three reasons: to explain why Google’s most recent actions in the online travel ecosystem present a serious threat to small business; to explain how those behaviors in turn harm the end consumer; and to urge that Congress address immediately Google’s near monopoly access to market for small business.

³ <https://www.bloomberg.com/news/articles/2019-11-08/google-s-search-ad-embrace-crushes-online-travel-agents>

What A Terrible Trip

Google puts pressure on online travel companies





To echo the testimony of Dr. Robert Epstein before the United States Senate Judiciary Subcommittee on the Constitution from Tuesday, June 16, 2019: The problem with Google is that it has the power to determine what content a person will or will not see. No single entity – especially a private company that is not accountable to the public – should have such power.⁴

III. Google's Actions in the Travel Space – Impact on Access

There is a history to the detrimental actions of Google for independent lodging properties in the online travel ecosystem. In 2015, suddenly and without warning, changes made by Google to their search algorithm for hotels altered the lodging results pages. Under that change, Google would allow for the consumer to go to the hotel's website by clicking on a link, but when one searched for a specific hotel, the results would return one of two options:

- A singular 'Book Here' box that went directly to an Online Travel Agent if the hotel had a relationship with such an agency. This option was financially beneficial to Google who would be paid a per click fee by the Online Travel Agent.
- A 'No known availability for this property' message, which for the common person meant 'This hotel has no rooms'. This option had the net effect of closing off hotels that could not 'pay to play' with Online Travel Agents.

⁴ <https://www.judiciary.senate.gov/imo/media/doc/Epstein%20Testimony.pdf>



This concern was pervasive across the Google platforms: desktop, mobile and the app. The late Spring timing was particularly concerning as the change occurred as peak season in Maine was getting underway and would quickly impact the profitability of independent hotels, with little to no recourse. The hotel industry is not based on making it up tomorrow, but rather one that has a perishable amount of time to book and deliver rooms, to seat and serve meals – Then it is lost forever. Not just to the hotel, but to the employee’s paycheck and the state’s tax revenue.

After approximately one month of strong urging by Congressional representation from our state, Google made an adjustment that clarified to the user to visit the property’s website. Visually, that looked as follows:

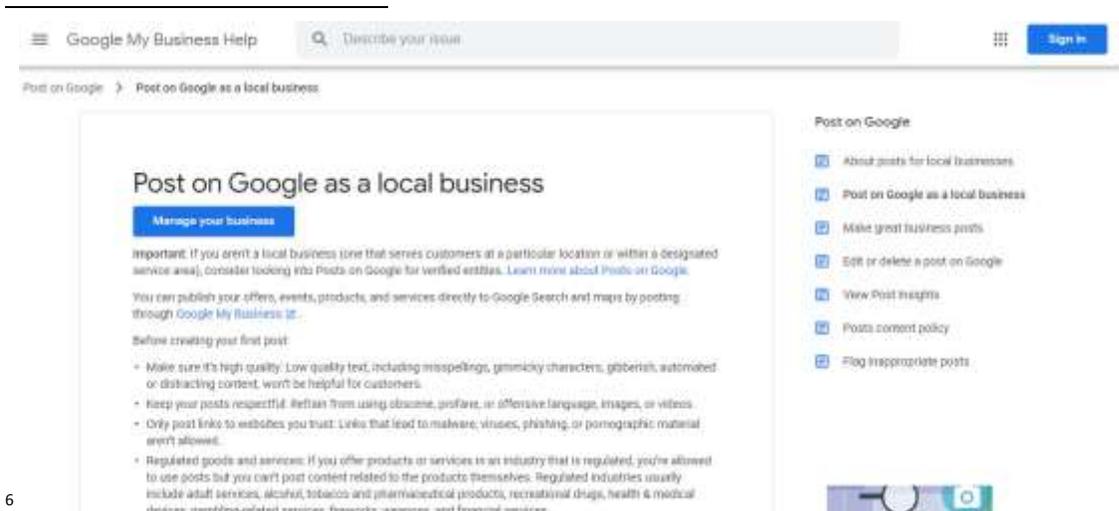


However, this icon did not link to the website. The consumer would have to go find the website; one could not click or call directly from the icon shown here. Occasionally, the ‘No known availability for this property’ continued to appear but would retreat with subsequent outreach from Congress. Monitoring Google is an ongoing challenge and as recently as October 29, 2019, the company’s algorithm and changes to it were cited by the Wall Street Journal as “secretive”⁵.

⁵ <https://www.wsj.com/articles/google-lifts-veil-a-little-into-secretive-search-algorithm-changes-11571986861>

There are concerns beyond secretive algorithm changes that speak to an unequal playing field for small businesses in the travel space that exist at the time of this testimony. Examples that support an unfair playing field include:

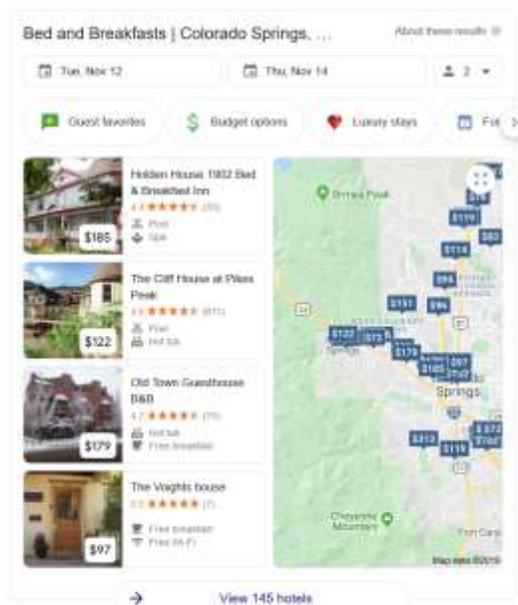
- Hoteliers are prohibited from the 'Posts' feature, which is given to vacation rentals, doctors and lawyers in their search results. This prevents hotels from being able to offer the option to book direct or learn about specials in their listings.⁶





components known as the '4 pack'⁹ and the metasearch ad console. The changes from this most recent iteration once again began to take effect just as Maine entered its busy summer season in late spring 2019 and became apparent by July to ourselves and industry experts.

With the 'March 2019 core update', the direct booking engine efforts of a hotel are pushed to 'below the fold' and instead replaced by paid metasearch results that Google benefits from financially. The impact of this change means that Google is prioritizing the area where it makes money from the impressions and clicks within the metasearch box over the direct booking engine of the hotel. The result often misleads the consumer to the highest bidder, such as an online travel agent or fraudulent website, instead of to the hotel. The financial resources to compete against the billions of dollars that online travel companies such as Expedia and Booking.com have in order to appear in the metasearch box are simply not afforded to the many small businesses that make up



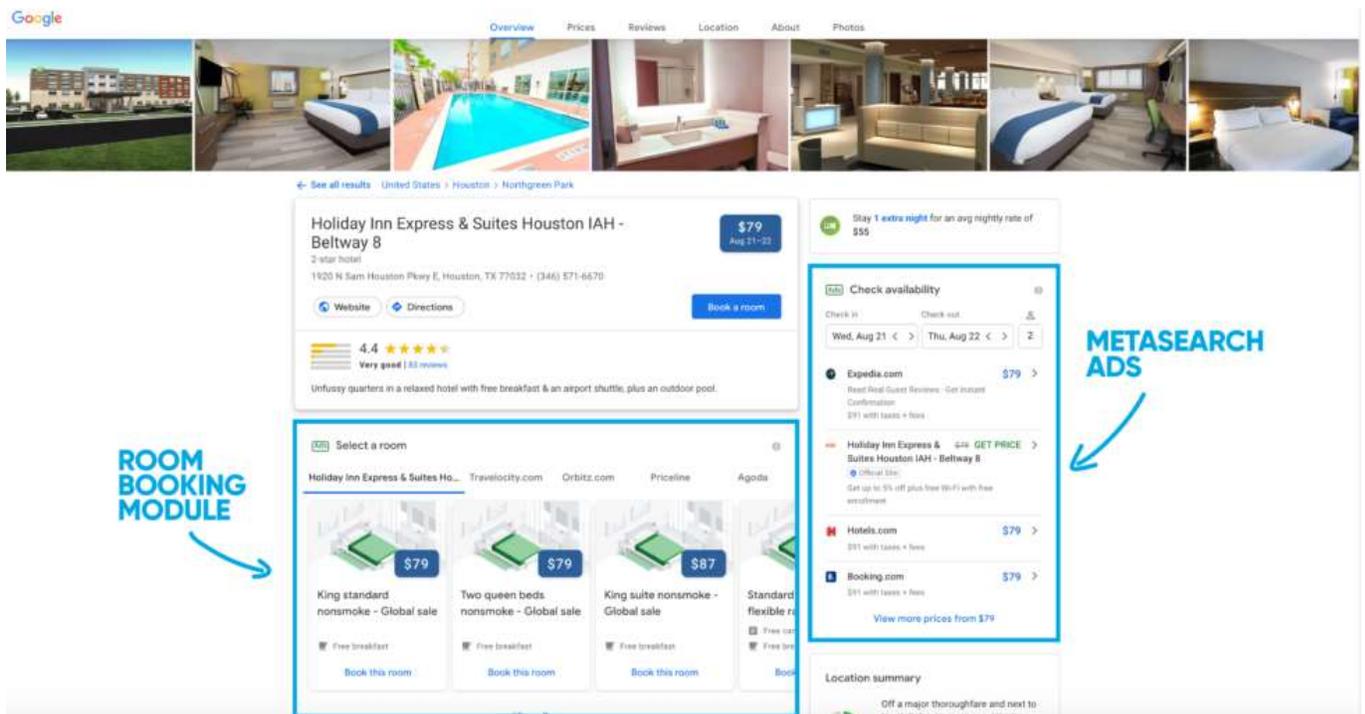
⁹ '4 pack sample' screen shot :



Maine’s tourism industry and beyond. In my opinion, this is far removed from an open marketplace for a small business in Maine or in any state.

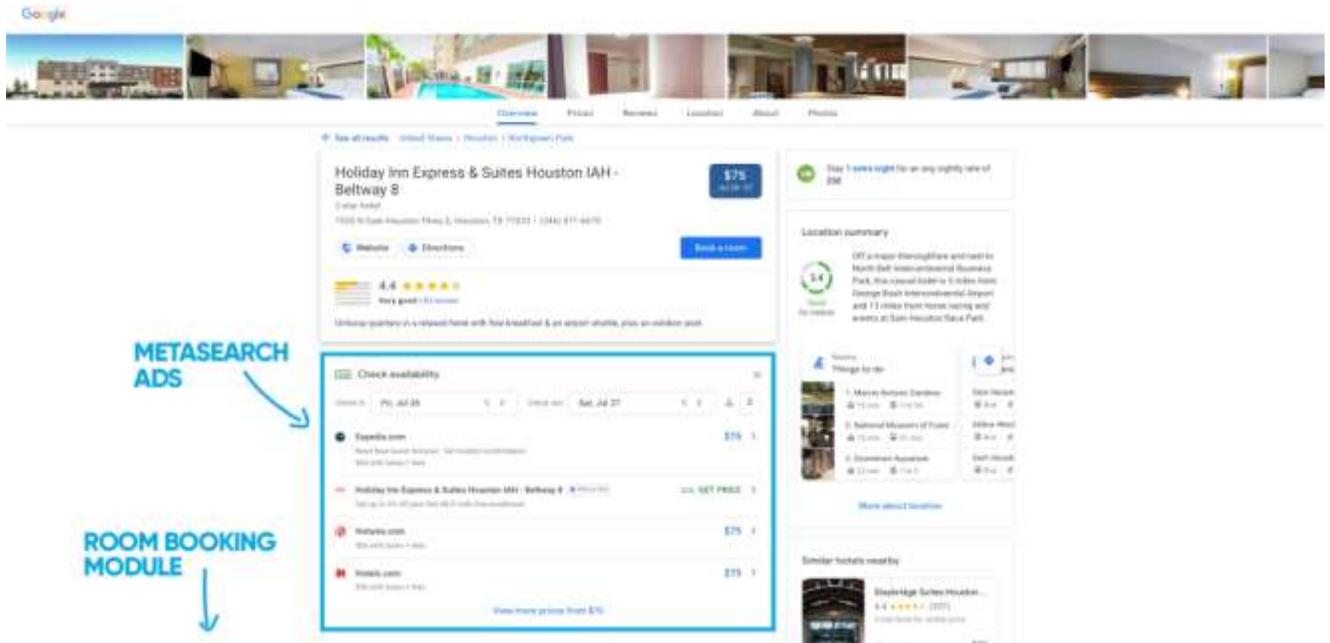
The following are screen shots of the changes that are of concern to my business and to small businesses in the travel ecosystem¹⁰:

PRE-JULY 2019 RESULTS LAYOUT



¹⁰ <https://koddi.com/google-experiments-room-booking-module-placement/>

JULY 2019 RESULTS LAYOUT IN BETA, AS IMPACTED BY THE ‘MARCH 2019 CORE UPDATE’



It has come to the attention of the hotel industry – and therefore our attention - that Google is using its platform to place its paid product between the traveler and the hotelier. In essence, Google’s layout acts as a gatekeeper that the hotel must pay in order for its direct booking option to appear. I will note to this Committee that our hotel’s correspondence to the Maine delegation on the matter of the ‘March 2019 core update’¹¹ is dated just one day after Google claimed to not engage in such practices at the United States House Judiciary Committee hearing.¹²

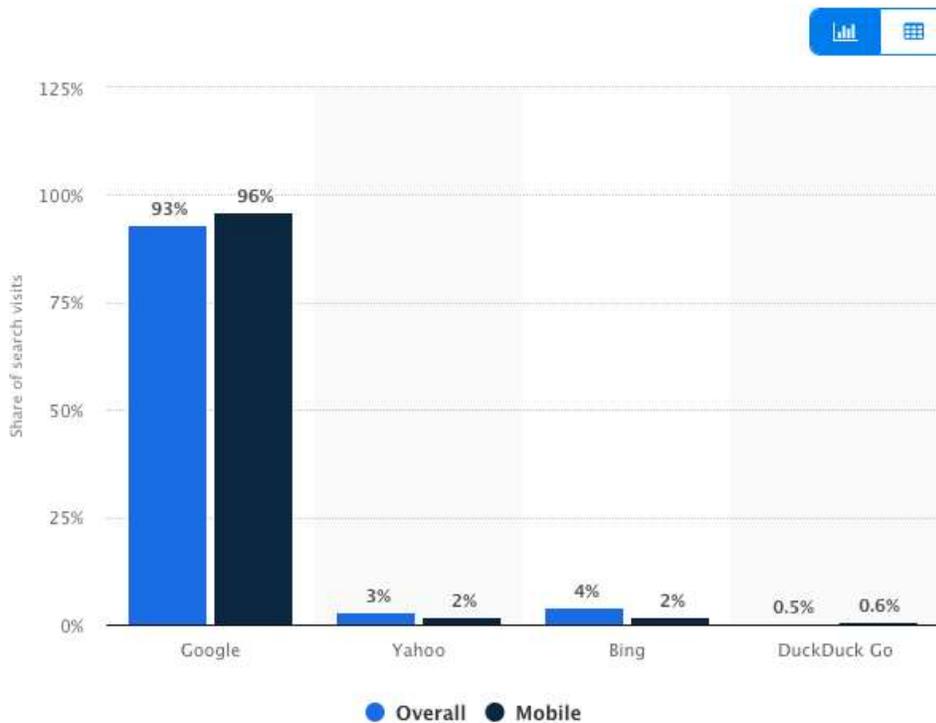
¹¹ See Appendix A

¹² <https://www.congress.gov/committees/video/house-judiciary/hsju00/9doWy1i5hpo>

In my personal opinion, should a large company with such tremendous market share as Google look to undercut access by having its paid products ‘bump out’ a direct booking option, there are a number of anti-trust and anti-competitive concerns raised.

In fact, industry experts noted a milestone in Google’s dominance in controlling search behaviors in June 2019 when, for the first time, a majority of all browser-based searches on Google.com resulted in zero-clicks.¹³ Google sends a huge portion of search clicks to their own properties such as YouTube, Maps, Android, Google’s blog, subdomains of Google.com, and a dozen or so others. Over 93% of searches began on Google before this aggressive change¹⁴:

Distribution of total and mobile organic search visits in the United States as of 1st quarter 2019, by engine



¹³ <https://sparktoro.com/blog/less-than-half-of-google-searches-now-result-in-a-click/>

¹⁴ <https://www.highervisibility.com/blog/organic-vs-paid-search-statistics/>



When one considers that 82% of travel bookings in 2018 were completed via a website or mobile app without any human interaction in combination with Google's dominant market share of search,¹⁵ the small businesses and innkeepers of Maine and innkeepers in the United States are right to be concerned. The dominant market share of Google, as seen in the graph above at 93%, lends itself to rent-seeking behaviors that prevent market access and to an unfair playing field. In my personal opinion, there is good reason for the Small Business Committee and Congress to be very concerned.¹⁶

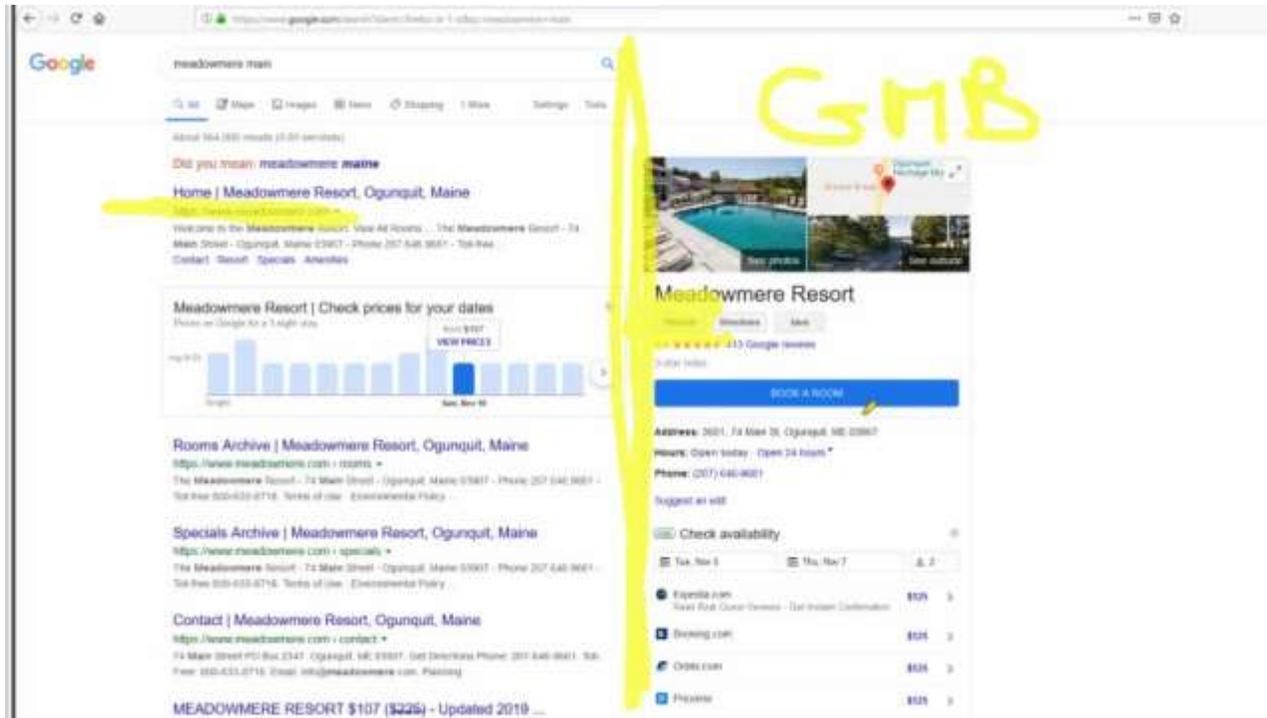
IV. Google's Actions in the Travel Space – Impact on Meadowmere Resort

The mechanism by which Google looks to control access is entitled 'Google My Business listing', commonly referred to as the 'GMB'. This feature appeared in 2014 and has steadily become a middleman between a small business and the consumer. The GMB and the accompanying search results change depending on the search terms and consumer device.

To display the visual nature of this, I am including a screen shot of a search for 'meadowmere main' showing the organic search results on the left hand side and the GMB on the right hand side:

¹⁵ <https://www.treksoft.com/en/academy/ebooks/travel-trends-report-2019>

¹⁶ <https://skift.com/2019/06/04/here-are-travels-big-winners-in-an-antitrust-crackdown-on-big-tech/>



To highlight the impact that Google's behavior with the GMB has had, I have prepared data from our Google analytics for the Meadowmere Resort. However, one must understand that a small business is limited as to what historic data Google provides to us when it comes to GMB listing insights. In other words, a small business must trust that Google is providing accurate reporting on its own advertising products. Despite this caveat, the data is compelling.



When comparing May 1, 2019 through September 30, 2019 against May 1, 2018 through September 30, 2018, the following changes are observed in the GMB listing for our hotel¹⁷ :

- Phone Call Actions: Number of times customers have called the business from the GMB listing

5/1/18 to 9/30/18: 1,894
 5/1/19 to 9/30/19: 2,324
 Increase of 22.7%

Why this matters: Consumers being shifted from our hotel's website to Google's GMB product to access the phone number, if that consumer is even able to find our phone number.

Business name	Overall rating	Total searches	Direct searches	Discovery searches	Total views	Search views	Maps views	Total actions	Website actions	Directions actions	Phone call actions
	Overall rating of this listing as of the date the report was generated	Number of times customers found this listing by searching on Google Search or Maps	Number of times customers found this listing by searching for the business name or address on Google Search or Maps	Number of times customers found this listing by searching for the category, product or service on Google Search or Maps	Number of times this listing has been viewed on Google Search or Maps	Number of times this listing has been viewed on Google Search	Number of times this listing has been viewed on Google Maps	Number of times customers have taken action on this listing on Google Search or Maps	Number of times customers have visited the website from this listing	Number of times customers have requested directions from this listing	Number of times customers have called the business from this listing
Meadowmere Resort	4.4	326787	96899	229888	838134	370608	467526	26533	16253	8386	1894
GMB Insights - Discover Report											
5/1/2018 - 9/30/2018											
Data file: 795192897e75d733ddb9e9d42aa89537											

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Business name	Overall rating	Total searches	Direct searches	Discovery searches	Total views	Search views	Maps views	Total actions	Website actions	Directions actions	Phone call actions
	Overall rating of this listing as of the date the report was generated	Number of times customers found this listing by searching on Google Search or Maps	Number of times customers found this listing by searching for the business name or address on Google Search or Maps	Number of times customers found this listing by searching for the category, product or service on Google Search or Maps	Number of times this listing has been viewed on Google Search or Maps	Number of times this listing has been viewed on Google Search	Number of times this listing has been viewed on Google Maps	Number of times customers have taken action on this listing on Google Search or Maps	Number of times customers have visited the website from this listing	Number of times customers have requested directions from this listing	Number of times customers have called the business from this listing
Meadowmere Resort	4.4	447335	196351	250984	710647	222077	488570	29390	17066	10000	2324
GMB Insights - Discover Report											
5/1/2019 - 9/30/2019											
Data file: 5575fbf87424ebc40c76950a54e95649											



- Website Actions: Number of times customers have visited the website from the GMB listing

5/1/18 to 9/30/18: 16,253
5/1/19 to 9/30/19: 17,066
Increase of 5%

Why this matters: Consumers being shifted from the organic and free search results to Google's GMB product to access our website.

- Total Searches: Number of times customers found the GMB listing by searching on Google Search or Maps

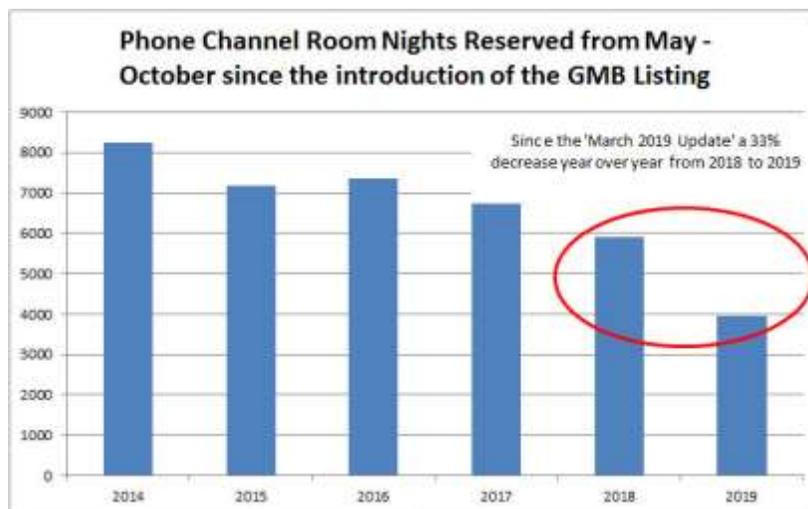
5/1/18 to 9/30/18: 326,787
5/1/19 to 9/30/19: 447,335
Increase of 36%

Why this matters: Consumers being shifted from clicking organic (free) search results to access the information on our website to viewing Google's GMB product for the same information, regardless of desktop, mobile or in app searches.

When one looks at Total Searches and Website Actions, one is able to calculate a rough click-through rate of 3.8% for our GMB listing. If such a click-through rate occurred for an online display ad unit, our hotel would be experiencing an outstanding result since across all industries, the average click-through rate for a search ad is 1.91%.¹⁸

When comparing room nights reserved through the direct phone channel for May through September across the 6 year history of the GMB, the following is observed for our hotel:

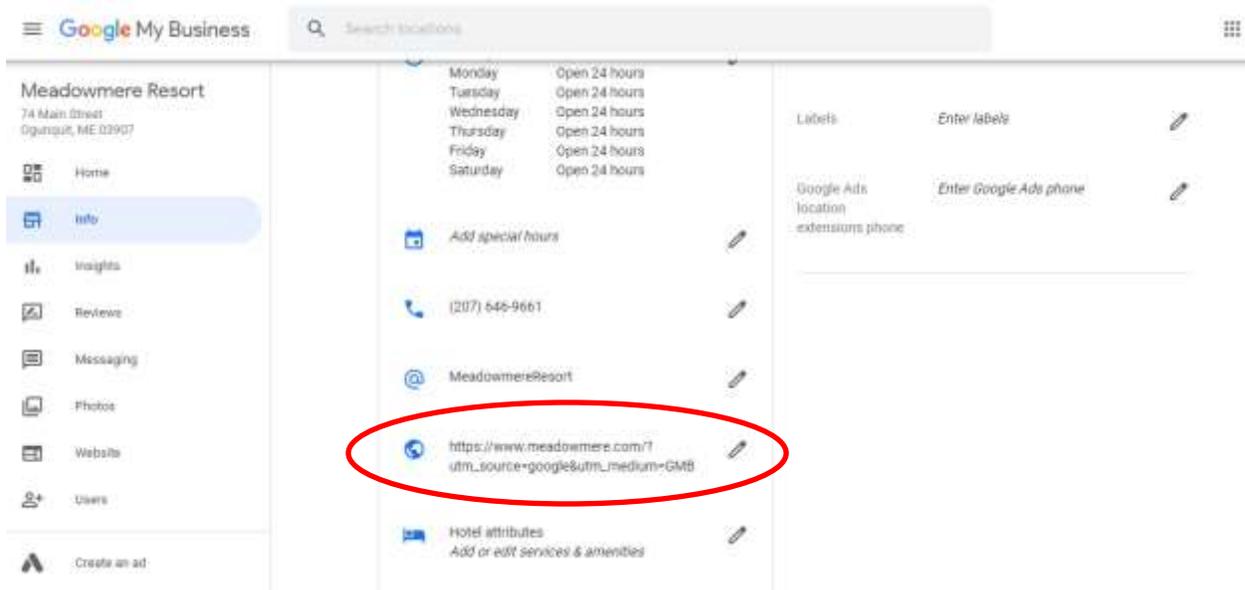
¹⁸ <https://blog.hubspot.com/agency/google-adwords-benchmark-data> "Across all industries, the average CTR for a search ad is 1.91%"



Since the 'March 2019 core update' a 33% decrease year over year from 2018 to 2019 has occurred in room nights reserved by direct phone call at our hotel.

With the GMB listing experiencing a staggering year over year growth since the 'March 2019 core update', the GMB click-through rate and corresponding change in our direct phone channel raises concerns that organic search and even some ads have been deprioritized by Google. One cannot help but wonder if Google is able to push the performance of a GMB to these outstanding levels by funneling searches to its own paid product.

The transparency into such behavior remains opaque at best. Our hotel deploys landing pages and Urchin Tracking Module parameters, commonly called UTM codes, to measure sources to our website and evaluate marketing efforts. An example of UTM tracking can be seen within our GMB listing under the hotel 'info' area:



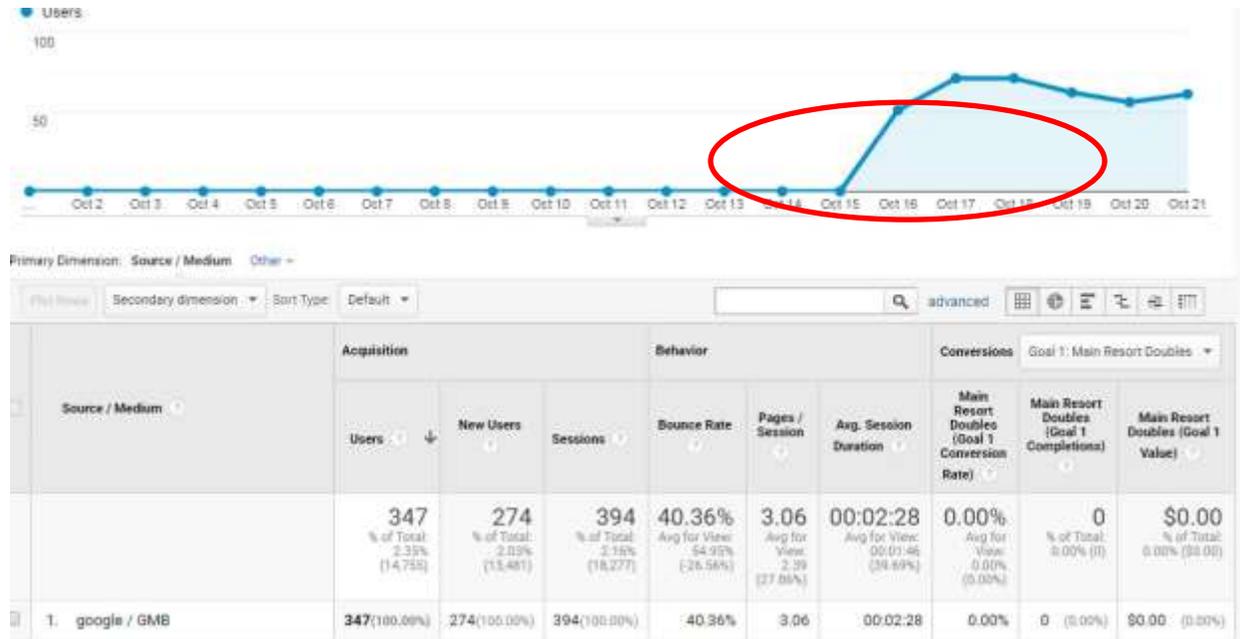
While Google offers the opportunity for our small business to enter such a link and therefore receive some clarity within Google Analytics on just how much traffic is sourcing from our GMB listing, there have been multiple instances whereby Google arbitrarily removes the UTM code without warning. Without this UTM code, a small business lacks this ability to accurately track the performance of their GMB as the data hides within organic search results.

However, knowing that the UTM code is subject to random removal, our hotel proceeded to screen shot capture the impact of the GMB when separated from the organic traffic and present what just seven days of actively tracking represents. Prior to separation, the organic traffic to our website showed approximately 200 user sessions per day. After implementing the UTM tracking code on our GMB listing, the GMB listing experiences approximately 75 user sessions per day - or 37.5% of the user session traffic. No other changes were made to ad campaigns or tracking during this period in

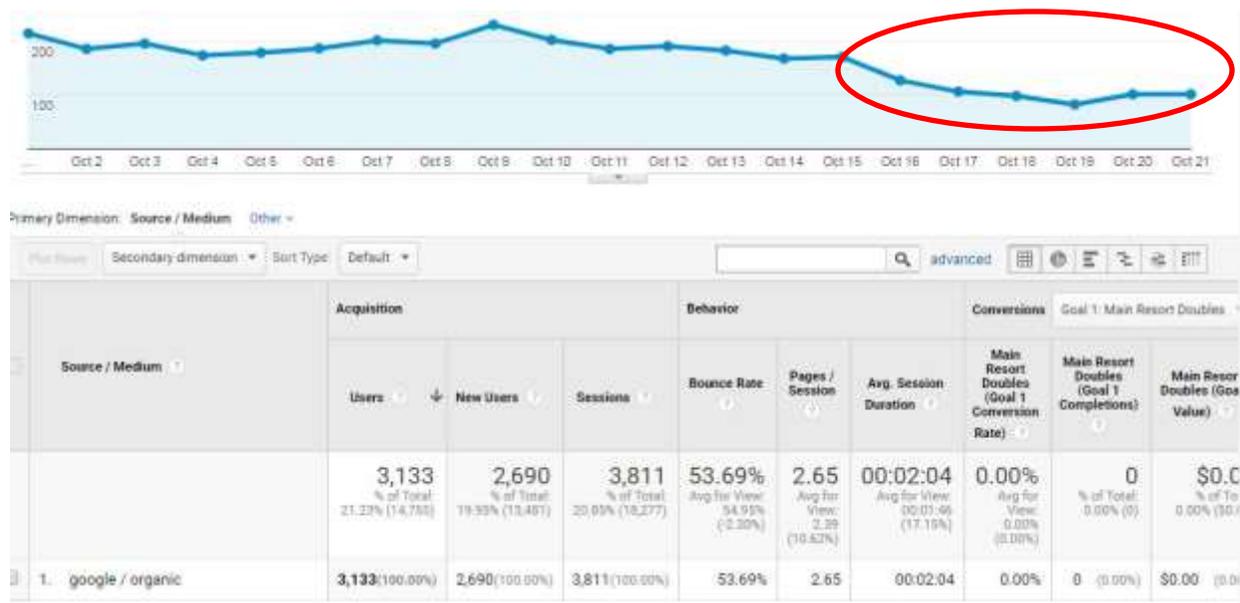


order to provide a clean capture of the GMB impact. I would add that in preparation for today, over 100 other innkeepers indicated that they too have these similar concerns with their organic traffic versus the GMB traffic.

GMB listing as tracked via UTM coding, October 15, 2019 through October 21, 2019:

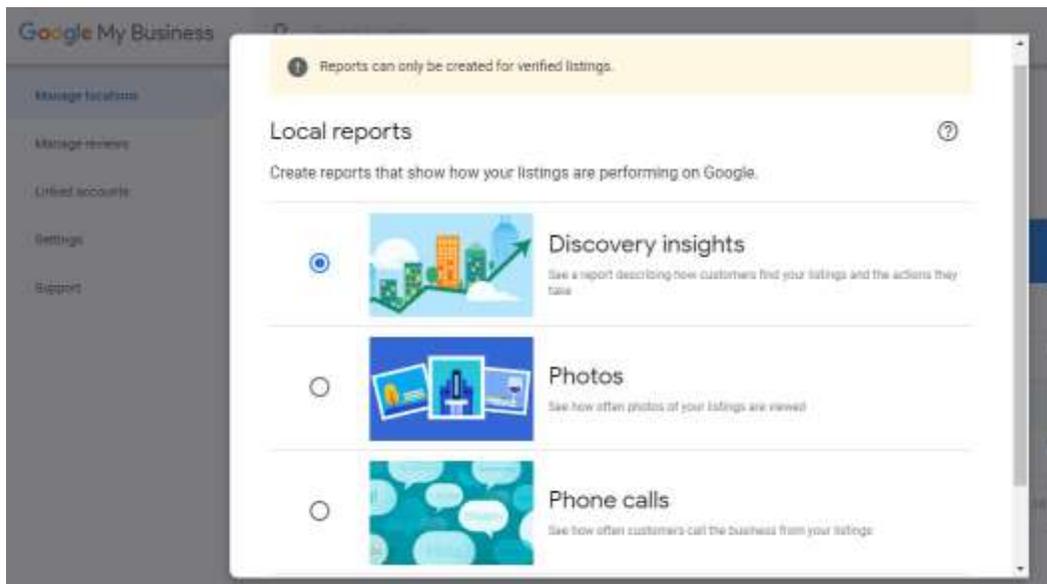


Google Organic Search performance, October 15, 2019 through October 21, 2019:



I would note to this Committee that not only does a small business contend with the difficulties in retaining the UTM tracking in a GMB listing, but our small business also receives controlled and limited data access thru the GMB listing management area. I would highlight that the listing management reporting that Google provides is not the same as Google Analytics. In fact, without the UTM code, GMB data is in an entirely separate console and allows for only three data sets that provide only 18 months of historical access despite GMB listing being in place since 2014.

These data sets are Discover Insights, Photos and Phone Calls:



When the UTM tracking is removed, these data sets are the only means by which a small business can analyze the performance of the GMB listing.

- In regards to the Discover Insights, this area is in stark contrast to the Google Analytics dashboard that provides extensive website metrics. One cannot help but wonder why Google would not subject its GMB product to the same metrics capabilities that other ad products and traffic sources are scrutinized by. One can only see such metric if the UTM code is in place and remains as such.
- In regards to the Photos Insights, the number of views of photos on the GMB listing for our hotel reached 26,658 in the seven days period of the UTM code activation. To put this volume of views into perspective, from the period of October 15th through October 21st, the page views across the entire website for our hotel were 15,490. With the introduction of Google Local Guides, an unpaid, points based incentive program for people to submit photos and reviews, Google is building a database of image files globally at the local level.¹⁹ One should note that this is in combination with GMB listing feature entitled 'Website' that Google offers to create a dedicated website within the GMB for a business. This

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'Website' feature focuses on offering quotes and photos and is Google branded.²⁰ It is not entirely clear what, if any, requirement Google may make upon a small business to use this Google website product.

- In regards to the Phone Calls Insights, while our hotel has seen a decrease in overall phone calls, calls originating from our GMB listing have grown 22.7% year over year in a five month period of May 1st through September 30th. This is an increase of 430 (+22.7%) calls on top of the 1,894 calls that were initiated from the GMB listing in this same five month period in 2018. This is significant because while call volume is down, Google is still reporting growth. The 'March

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The screenshot displays the Google My Business website editor interface for Meadowmere Resort. The top section shows the website URL 'meadowmere-resort.business.site' circled in red. Below it, a preview of the website is shown with a 'Publish' button. The bottom section shows the same interface with a 'Needs to Google' message circled in red.



2019 core update' and its corresponding changes on the GMB have a multiplier effect in that it is both decreasing our call load by serving information directly through Google's products and it is consuming the remaining call traffic at an increasing rate through the GMB listing. With the 2018 average phone reservation revenue of \$341, this represents a year over year shift in a revenue of over \$140,000 now dependent on Google's GMB listing performance.

Given that the changes noted here are occurring within the short five month period that the 'March 2019 core update' has affected the travel landscape, this Committee should also make note of the speed at which Google is impacting the ability for a small business to access the consumer and vice versa - for a consumer to access a small business. This impact is reflected in the rapid increase in spend required across Google's pay to play products of Hotel Ads, Video Display Ads, Text Display Ads, Adwords Pay-Per-Click and Retargeting/Remarketing to protect direct bookings to our own hotel. For our hotel that means an increased spend of over 500% from 2016 to 2019 with Google, who has gone from 3% to 13% of our annual marketing budget. A small business such as ours has experienced a 20% increase in our overall marketing budget in an effort to keep up with Google's changes to direct bookings. I would note that increase does not include the fees to connect an internet booking engine to Google or the fees paid to online travel agents who often outspend our hotel in this pay-to-play model.



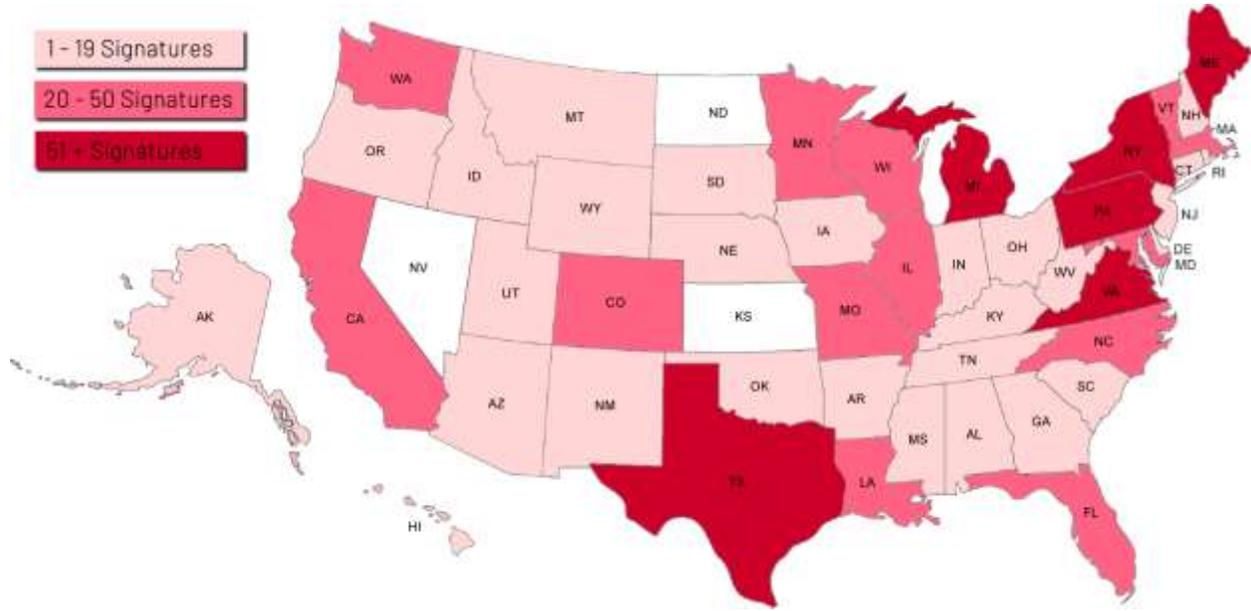
I would caution that the market access concerns will only grow as screens get smaller with mobile bookings and perhaps, the need for a screen disappears altogether with voice search. In my personal opinion, the small business and the consumer will then be at the mercy of what Google decides to show - or tell.

V. Google's Actions in the Travel Space – Impact on Independent Innkeepers

To assuage concerns that our hotel may be an isolated incident, the Association of Independent Hospitality Professionals (AIHP) and the Professional Association of Innkeepers International (PAII) provided the data presented in this section. AIHP represents independent lodging across the United States. PAII represents innkeepers, bed & breakfast, boutique hotels, and other lodging professionals both nationally and internationally. The Meadowmere Resort is not a member of either association and therefore the data presented on our hotel stands separate from the information provided by members of these groups.

Over 900 innkeepers representing over 47 states and the District of Columbia supported the points made by our business here today²¹:

²¹ See Exhibit Supplement provided as separate pdf document



STATE	Inkeepers reported as impacted by Google
AK	19
AL	5
AR	15
AZ	10
CA	39
CO	20
CT	6
DE	3
FL	21
GA	11
HI	1
IA	9
ID	2
IL	23
IN	7
KS	0
KY	10
STATE	Inkeepers reported as impacted by Google
LA	21
MA	30
MD	20
ME	59



MI	72
MN	22
MO	28
MS	2
MT	1
NC	36
ND	0
NE	3
NH	16
NJ	12
NM	7
NV	0
NY	65
OH	9
OK	6
OR	11
PA	57
RI	4
SC	5
SD	1
TN	19
TX	56
UT	1
VA	55
VT	24
WA	29
WI	28
WV	6
WY	1

OTHER LOCATIONS	Innkeepers reported as impacted by Google
Canada	3
District of Columbia	4
Mexico	1



VI. Google's Actions in the Travel Space – Impact on End Consumer

Digital travel sales worldwide increased 10.4% to \$694.41 billion in 2018.²² For states like Maine, tourism is one of Maine's largest and most vibrant industries. Total recent tourism expenditures were over 6 billion dollars a year – which equals \$191 per second and tourism employs almost 107,000 people, about 16% of the state's workforce.²³ Ogunquit, a signature destination in Maine and where our hotel is located, contributes over \$34 million annually in tax revenue to the state.

The size of the travel market creates strong incentives for middlemen like Google to insert themselves between a hotel (supplier) and a guest (consumer) with a 'pay to play' model. It is a lucrative ecosystem especially where consumers rely heavily on digital information to plan travel to places that they have not been before.

For these reasons, in my personal opinion Section 5(a) of the FTC Act which provides that "unfair or deceptive acts or practices in or affecting commerce . . . are . . . declared unlawful" and where "Deceptive" practices are defined in the Commission's Policy Statement on Deception as involving a material representation, omission or practice that is likely to mislead a consumer acting reasonably in the circumstances may be of interest to this Committee.²⁴ There are two areas which I would call to this Committee's attention to regarding Google's practices: the blue 'Book a Room' button and the ability to find a hotel's direct phone number.

²² <https://www.emarketer.com/content/global-digital-travel-sales-2018>

²³ <https://motpartners.com/>

²⁴ <https://www.ftc.gov/about-ftc/what-we-do/enforcement-authority>



Google's Blue 'Book a Room' Button

When over 70% of consumers believe that they are booking directly with a hotel when in fact they are being redirected by Google's blue 'Book a Room' button, the traveling public is being misled.²⁵ In fact, the petition comments refer to this concern repeatedly.²⁶ This blue button is a 'pay to play' feature operating on a bid system that is frequently won by the large Online Travel Agencies Expedia and Booking.com and places not one but two middlemen between the consumer and the hotel. A small business is placed at a distinct disadvantage in this arrangement because the 'pay to play' model is pitting the independent hotelier against billion dollar public companies. However, the consumer is also impacted by the model whereby they can no longer alter their reservation without going through the Online Travel Agent and cannot discern that the blue 'Book a Room' button does not lead to the independent hotel directly.

The insertion of Google as a 'pay to play' middleman introduces additional costs that must impact the economic system. Either small businesses absorb this cost – and thereby decrease margin and reinvestment into their product and community – or they pass along the additional expense of being found on Google to the consumer. This additional expense can range from 18% and more, an unsustainable inflation of pricing to the traveler.²⁷

²⁵ <https://acorn-is.com/blog/2018/11/70-of-your-customers-think-they-are-booking-direct-when-they-are-not-and-we-have-the-proof.html>

²⁶ See Exhibit Supplement provided as separate pdf document

²⁷ <https://acorn-is.com/blog/2018/11/70-of-your-customers-think-they-are-booking-direct-when-they-are-not-and-we-have-the-proof.html>



Nowhere does Google educate the general public that Google and their Online Travel Agency (OTA) partners are diverting the consumer's purchase away from the small business that the consumer intended to buy from with the blue 'Book a Room' button. The disturbing side effect of online booking scams is also raised by this lack of end consumer transparency.

Google's Impact on Finding Phone Numbers

Before coming to the purchase of a room, the end consumer may have questions that they wish to ask directly of the hotel. Since the 'March 2019 core update', the ability to locate a direct phone number within search queries has become an increasing challenge. While developing our Google Ads strategy for Q4 2019, a performance review of the Dynamic Search Ads (DSAs) on Google that ran over this summer was conducted. This included a list of search terms that Google's algorithm decided to serve our dynamic ads on.

There was a trend on this specific report that in my personal opinion is worth bringing to this Committee's attention. It appears that our campaign served ads against a number of unique searches for our hotel's phone number.²⁸ While seeing a few of these phone

²⁸ List of unique search terms from the report mentioned:

- number for meadowmere hotel in ogunquit maine
- phone number of meadowmere resort ogunquit maine
- phone number for the meadowmere hotel in ogunquit maine
- meadowmere phone
- meadowmere resort phone number
- phone number for meadowmere ogunquit



number searches would be normal, both I and our digital marketing partner consider the number of unique searches over the summer of 2019 and since the 'March 2019 core update' to be abnormal.

What this told us is that users are having a harder time finding our direct phone number organically in Google search results since the 'March 2019 core update'. Even more disturbing, the report only includes searches that received at least one click in the past 30 days and were used by a significant number of users on Google. This means that there are most-likely other search terms that have been used and are unaccounted for. In response, our hotel enabled Call Extensions in Google Ads for our Q4 campaign. This functionality allows us to add a phone number to our ads. It is important to remember that by doing this we are now effectively paying to improve the discovery of our own phone number with this method. The net effect is that Google has moved the ability to see a direct phone of an independent hotel into the 'pay to play' space.

However, call extensions do not show with every ad impression served – The secretive Google algorithm determines whether to show the call extension or not, even if the consumer is directly searching for the phone number. With this action, Google's 'pay to play' product stands directly between the information sought by the consumer and the accurate search result that they are looking for.

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- phone number meadowmere resort ogunquit maine
 - google meadowmere hotel in ogunquit contact number
 - give me the number to the meadowmere resort in ogunquit
 - call meadowmere hotel ogunquit maine
 - meadowmere resort telephone number



VII. Monopoly Power for Access to Search Results is the Modern Railroad

A century ago, railroads reduced the time and distance to market for goods and people, radically changing the costs and convenience to travel. Now, a century later, Google and other Big Tech players stand in a similar position. It is now cheaper and more convenient to simply go online and explore all the places one can go.

However, much as the public and businesses feared the railroads for their monopoly power, small businesses are today acutely aware that it is impossible to do business without Big Tech, especially Google.

While no one would fault Google for making decisions on innovation based on their bottom line, the net impact to small business and consumers is the consideration that this body holds as its charge. There is great economic and societal danger in Google's ability to decide who succeeds in small business and who fails in our communities and in our country. When something as fundamental as the free circulation of information is in question, the issues are no longer just economic, but also strike at the core of our values.

Much like the corn farmer that had been limited to no other way to access the market with his perishable goods than the railroad, small businesses are at the end of the line for today's modern equivalent, the Internet. When one entity such as Google holds similar dominance – and perhaps similar lack of transparency into that dominance – our



society is faced with the same inefficiencies and costs. In the end the consumer is hurt by a decrease in supply driving an increase in costs and pricing, but more importantly the small business economy that this country thrives on is adversely impacted. I urge this Committee to work diligently on an immediate answer to this modern monopoly and market access problem.

VIII. Conclusion

The U.S. Small Business economy has thrived because entrepreneurs know that they can devote years of productive labor and resources into developing their inventions for the marketplace, secure in the knowledge that their work provides a solid foundation for a livelihood and a better community.

Big Tech looms over small businesses in the travel space and indeed, many commercial activities, threatening supply chain between supply and demand without rhyme or reason. Small businesses and consumer choice depends on access to market in order to thrive. The current structure is incentivizing a form of “efficient infringement” by large, capitalized companies, such as Google, who make an economic impact on the fair market value price for travel while not producing the consumed product or paying the producer for access to the product. This is in addition to the lost investment in the small businesses operations. The current structure creates an unvirtuous cycle whereby ever increasing costs to access markets decrease access to supply, drive up costs to consumers and drive down choice, and therefore undermine the foundations of the U.S. Small Business economy.



In sum, the U.S. Small Business community is now characterized by inordinately high costs to market access, high legal hurdles, and free riding by both the legal and illegal players in the online market.

I would ask that Congress through the diligent work of this Small Business Committee “hardwire” into the online ‘railroad’ the fundamental checks and balances necessary to ensure that the rights of Small Business owners are recognized and respected.

Congress should look to address by regulatory means the necessary and real reform that will bring back balance to the U.S. Small Business economy and return the marketplace to the “gold standard” of innovation, market access and a fair playing field by the rule of law.

I thank you Chairwoman Velazquez, Ranking Member Chabot, and Members of the Committee for the opportunity to present this information to you and thank you for listening to the small businesses impacted by the decisions of Big Tech. It is an ever-changing landscape and I appreciate the work of this Committee to vigorously protect small businesses like ours.

I am happy to answer any questions you may have.



Acknowledgements

I wish to acknowledge assistance provided to me in preparing this testimony from Lisa Kolb, Greg Dugal and Devin Temple. Despite listing their names here, none of those individuals necessarily agrees with, nor endorses any of my comments or opinions.

Appendix A

Correspondence sent to the office of Senator Angus King, Maine, dated July 17, 2019



July 17, 2019

Dear Honorable Senator King:

I am resident and voter of Maine and part of the tourism industry that is critical to Maine's economy. The Meadowmere Resort is a family owned and operated small business and part of the Ogunquit and Southern Maine community. Since opening in 1983, we have welcomed visitors to Maine and to our family hotel. Back then, one could reach out to customers with a simple postcard.

Today, I am reaching out regarding the metasearch practices of Google in the travel space. Recently, in March 2019, Google altered control over access to hotels such as ours by changing how the platform's search interface works in the travel space. It was labeled 'March 2019 Core update' by Google and contained several changes to the search results when looking for travel products, also known as the '5 pack' and to the metasearch ad console.

The following is an example of why the changes are of concern to Maine's tourism and small businesses:

Pre-July 2019 results layout



July 2019 results layout in beta, as impacted by the 'March 2019 core update':





With this change, the hotels direct booking engine efforts are pushed to 'below the fold' and instead replaced by the metasearch results. The impact of this change means that Google is prioritizing an area where it makes money from the impressions and clicks within the metasearch box over the hotel's direct booking engine. The result often misleads the consumer to the highest bidder instead of to the hotel. The financial resources to compete against the billions and billions of dollars that online travel companies such as Expedia and Booking.com have in order to appear in the metasearch box are simply not afforded to the many small businesses that make up Maine's tourism industry. This is far removed from the days of postcards and from an open marketplace.

It has come to the hotel industry's attention – and therefore our attention - that Google is using its platform to place its paid product between the traveler and the hotelier. In essence, Google's layout acts as a gatekeeper that the hotel must pay for its direct booking option to appear. It does not escape me that this letter is dated just one day after Google claimed to not engage in such practices at the US House Judiciary Committee hearing. I would strongly urge that claim to be aggressively reviewed, especially in the travel space since in 2018 digital travel sales worldwide increased 10.4% to \$694.41 billion (Source emarketer.com).

Eighty-two percent of travel bookings in 2018 were completed via a website or mobile app, without human interaction (Source Trekksoft). Should a large company with such tremendous market share as Google look to undercut access by having one hand of its paid products 'bump out' a direct booking option, there are a number of anti-trust concerns raised. The concerns will only grow as screens get smaller with mobile bookings and perhaps disappear altogether with voice search. Then truly the small business will be at the mercy of what Google decides to show the end consumer.

Maine's small businesses and innkeepers have a right to access to their customer on a level playing field.

I urge actions such as those discussed above to be addressed when Congress continues to question the market share and impact of 'Big Tech' and I urge Congress to help support Maine's important tourism industry.

Thank you in advance for your time and assistance.

Sincerely,
Allyson Cavaretta
Meadowmere Resort
Owner

Sources & Hearings:

<https://koddi.com/google-experiments-room-booking-module-placement/>
<https://www.emarketer.com/content/global-digital-travel-sales-2018>
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