Summary of Commission Decision
of 11 March 2008
declaring a concentration compatible with the common market and the functioning of the
EEA Agreement
(Case COMP/M.4731 — Google/DoubleClick)
(Only the English text is authentic)
(Text with EEA relevance)
(2008/C 184/06)

On 11 March 2008, the Commission adopted a Decision in a merger case under Council Regulation (EC)
No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (1) (the EC Merger Regu-
lation), and in particular Article 8(1) of that Regulation. A non-confidential version of the full Decision can be found
in the authentic language of the case on the website of the Directorate-General for Competition, at the following
address:
http://ec.europa.eu/comm/competition/index_en.html

I. INTRODUCTION

1. On 21 September 2007, the Commission received a notifi-
cation of a proposed concentration pursuant to Article 4
and following a referral pursuant to Article 4(5) of Regu-
lation (EC) No 139/2004 (‘the Merger Regulation’) by
which the undertaking Google Inc. (‘Google’, USA) acquires
within the meaning of Article 3(1)(b) of the Merger Regu-
lation control of the whole of the undertaking DoubleClick
Inc. (‘DoubleClick’, USA) by way of purchase of shares.

II. THE PARTIES

2. Google operates an Internet search engine and provides
online advertising space on its own websites as well as on
partner websites (affiliated to the Google ‘AdSense’
network). More recently, especially via the acquisition of
YouTube, Google started to provide content. Google derives
almost all of its revenues from online advertising.

3. DoubleClick mainly sells ad serving, management and
reporting technology worldwide to website publishers,
advertisers and advertising agencies. It is also launching an
intermediation (ad exchange) platform.

III. ARTICLE 4(5) REFERRAL

4. The proposed transaction lacks Community dimension
within the meaning of Article 1(2) and (3) of the Merger
Regulation. However, following a referral request under
Article 4(5) of the EC Merger Regulation, the concentration
is deemed to have a Community dimension.

5. Google is active mainly in the provision of online adver-
tising space. The widest possible relevant product market
considered in the Decision is the overall market for online
advertising. The Commission has assessed whether this
market may have to be subdivided further on the basis of
the various forms of online advertising (text v non-text
(display) ads and/or search ads v non search ads) or on the
basis of different sales channels (direct sales v intermediated
sales through ad networks and ad exchanges). However, the
exact definition of the relevant product market has been
left open in the Decision as the transaction would not give
rise to competition concerns under any possible product
market definition.

6. DoubleClick is active in display ad serving. The market
investigation has shown that display ad serving technology
constitutes a separate market from ad serving technology
for text ads. Within the market for display ad serving technol-
ogy a further subdivision has to be made between the
provision of such services to advertisers and the provision
of such services to publishers.

V. THE RELEVANT GEOGRAPHIC MARKETS

7. The Decision defines the overall online advertising market
as geographically divided alongside national or linguistic
borders within the EEA. As regards intermediation, the
Decision concludes that this hypothetical market is at least
EEA wide in scope.

8. Finally, the Decision defines the markets for the provision
of display ad serving technology for advertisers and
publishers to be at least EEA wide in scope.

VI. COMPETITIVE ASSESSMENT

6.1. Position of the parties in the relevant markets

9. Google is currently active in the online advertising market (i) as a publisher, with its own search engine web page Google.com (and its national web pages such as google.fr, google.it etc.), and (ii) as an intermediary with its ad network (AdSense). Through these direct and indirect channels, Google is the leading provider of online advertising, and in particular of search ad space in the EEA with market shares of between [25-35 %] and [60-70 %] depending on the exact market definition.

10. Google's main competitors in search advertising are Yahoo! and Microsoft with market shares of up to [10-20] % at the worldwide level and at least [0-10] % in the EEA for Yahoo! and approximately [0-10] % for Microsoft both at the worldwide and the EEA-wide levels. In non search intermediation in the EEA, inter alia TradeDoubler, Zanox (belonging to Axel Springer), AdLink, Interactive Media (belonging to Deutsche Telekom), Advertising.com and Lightningcast (both AOL/TimeWarner) and Tomorrow Focus are active (about [10-20] % market share in the case of TradeDoubler, [0-10] % in the case of Zanox and about [0-10] % for each of the other players).

11. DoubleClick is a provider of ad serving technology. On the advertiser side, DoubleClick is the leading player in the EEA ad serving market together with aQuantive/Atlas (recently acquired by Microsoft). They each have about [30-40] % market share in the EEA. On the publisher side, the market investigation points to DoubleClick leading with around [40-50] % market share in the EEA, followed by 24/7 Real Media/OpenAdStream (recently acquired by the advertising agency WPP) with less than [20-30] % and AdFtech/AOL (less than [10-20] %).

12. Despite these relatively high market shares, DoubleClick's market power is limited because DoubleClick faces significant competition from rival suppliers of ad serving tools, to which customers could switch in case of a price increase. While the market investigation provided mixed answers regarding the theoretical level of switching costs, there is evidence that a large number of publishers and advertisers have actually switched from DoubleClick to other service providers (and vice versa) in the past years. The fact that the ad serving market is currently competitive is also evidenced through a significant price decline of DoubleClick's products for advertisers and publishers, during a period of increasing demand.

13. DoubleClick is also launching a new ad exchange. This ad exchange commenced beta testing in June 2007. The number of transactions it has conducted so far is negligible and, in any case, it has not yet achieved full commercialization.

6.2. Horizontal effects

14. Currently Double Click is not present in the market for the provision of online space and Google is not providing ad serving tools on a stand alone basis. Therefore, there is no actual competition between both companies.

15. The Decision also concludes that the proposed transaction does not give rise to competition concerns with a view to the possible elimination of potential competition between Google and DoubleClick. DoubleClick's ad exchange has not yet developed any significant market position, but it cannot be ruled out that DoubleClick, if it stayed independent, could develop into an important player in the intermediation market. However, it is likely that there would remain a sufficient number of other competitors which would maintain sufficient competitive pressure after the merger so that competition would not be significantly impeded. In particular, as compared to other players active in this market, DoubleClick does not appear to have any significant advantages in competing with Google in the ad intermediation market.

16. As regards potential competition from Google in the ad serving market, the Decision examines the fact that Google is currently developing a new ad serving product for both advertiser- and publisher-side display ad serving, but dismisses any concerns relating to the possible elimination of potential competition because there is no indication that Google's new products would have been better placed to compete with DoubleClick's respective products than the numerous players already present in the market.

6.3. Non-horizontal effects

6.3.1. Foreclosure based on DoubleClick's market position in ad serving

17. The Commission investigated a number of exclusionary strategies based on DoubleClick's market position in ad serving that the merged entity might engage in. These strategies include: (a) increasing the price of DoubleClick tools when used by publishers or advertisers with competing ad networks or selectively increasing the price of DoubleClick tools to customers less likely to switch to other ad serving tools suppliers; (b) degrading DoubleClick tools' quality when used with competing ad networks; (c) bundling DoubleClick tools with Google's intermediation services (either through pure or mixed bundling); (d) 'tweaking' the ad arbitration mechanism to serve ads in favour of AdSense; and (e) input foreclosure (i.e. refusal to sell or raising rivals' costs) regarding the sale of ad serving tools to competing ad networks.
18. The Decision dismisses all of these concerns. Firstly, the market investigation revealed that the merged entity would not be able to successfully foreclose its rivals in the ad serving market because DoubleClick faces a number of competitive constraints and is unlikely to be able to exercise any significant market power.

19. Secondly, the merged entity’s incentives to engage in the described strategies also appear to be limited. Price variations (even significant) for ad serving tools are unlikely to trigger significant switching between ad networks because the costs of ad serving represents only a small proportion of online advertising costs/revenues for advertisers and publishers. This is likely to reduce any incentive to offer DoubleClick’s display ad serving technology to publishers at a lower price (or even for free) when used in combination with AdSense (i.e. mixed bundling). Pure bundling (i.e. bundling DoubleClick’s display ad serving technology with intermediation through AdSense) is likely to be unprofitable in view of the switching this might entail. The ‘tweaking’ strategy would constitute a breach of the merged entity’s contractual obligations vis-à-vis its customers, which, if carried out on any meaningful scale, would probably be detected.

20. Finally, even if all or any of these strategies were to be successfully implemented, the transaction would still be unlikely to have a negative effect on competition since the merged entity would continue to compete with a number of financially strong, vertically integrated rivals (including Microsoft, Yahoo!, AOL and WPP) which offer the same product combination.

6.3.2. Foreclosure based on Google’s market position in search advertising and ad intermediation services

21. In view of Google’s strong position in the provision of search ads, Google might also try to leverage this position into the market for display ad serving by requiring users of its search ad (intermediation) services to use DoubleClick’s products for serving all or part of their inventory. The Decision dismisses also these concerns.

22. Already the ability to foreclose rivals by engaging in such a strategy seems to be limited because there is a very limited pool of common customers which use both search ads or search ad intermediation services and display ad serving technology. Apart from that, on the advertiser side, there may be practical difficulties because the two relevant parts of the bundle are not sold or priced simultaneously.

23. Moreover, the market investigation has shown that the merged entity would not have an incentive to adopt such a strategy because that strategy would most likely not be profitable.

24. However, even if all or any of these strategies were to be successfully implemented, the transaction would still be unlikely to have a negative effect on competition since the merged entity would continue to compete with a number of financially strong, vertically integrated rivals (including Microsoft, Yahoo!, AOL and WPP) which would be unlikely to be foreclosed.

6.3.3. Foreclosure based on combination of Google and DoubleClick’s assets

25. Finally, the mere combination of DoubleClick’s assets with Google’s assets, and in particular the databases that both companies have and could develop on customer online behaviour could allow the merged entity to achieve a position that could not be replicated by its competitors. As a result of this combination, Google’s competitors would be progressively marginalised which would ultimately allow Google to raise the prices for its intermediation services.

26. However, the market investigation has revealed these concerns to be unfounded. DoubleClick’s contracts with advertisers and publishers currently allow DoubleClick to use the data created through its ad serving technology only to the benefit of the respective customer. There is no indication that the merged entity would be able to impose contractual changes on its customers which would allow the cross use of their data in the future. In addition, the combination of data about searches with data about users’ web surfing behaviour is already available to a number of Google’s competitors today (e.g. Microsoft and Yahoo).

VII. CONCLUSION

27. The Decision therefore concludes that the proposed concentration will not give rise to competition concerns as a result of which effective competition would be significantly impeded in the Common Market or in a substantial part of it. Consequently, the Commission declared the transaction compatible with the Common Market and the EEA Agreement, in accordance with Article 8(1) of the Merger Regulation and Article 57 of the EEA Agreement.