

Center for Digital Democracy

December 10, 2007

Chairman Deborah Majoras  
Commissioner Pamela Jones Harbour  
Commissioner Jon Leibowitz  
Commissioner William E. Kovacic  
Commissioner J. Thomas Rosch  
Federal Trade Commission  
600 Pennsylvania Avenue, N.W.,  
Washington, D.C. 20580

Dear Chairman Majoras and Commissioners:

On behalf of the Center of the Digital Democracy, I respectfully urge you to impose conditions designed to protect competition in the matter of Google and DoubleClick. Since the planned acquisition was announced last spring, we have provided competition bureau staff with information concerning both the overall competitive conditions of the interactive advertising marketplace and specific materials related to the two companies themselves. We have brought in a distinguished professor and one of the country's leading experts on digital marketing—Professor Joseph Turow of the Annenberg School at the University of Pennsylvania—to meet with competition staff. We also offered to provide additional analysis and information, but the staff has not requested such data.

I am alarmed by reports that the commission is about to approve the merger without imposing any of the conditions required to maintain a semblance of competition in the interactive advertising market. Given the scale needed to compete with a combined Google/DoubleClick, there will be insurmountable barriers to entry in the interactive ad market. It is necessary to comprehend the inter-related and now-integrated role of search and display within the interactive advertising business in order to assess the merger's impact on competition—both today and in the future. Indeed, the purpose of Google's acquisition of DoubleClick is to control a major competitor in order to foreclose any serious competition in the interactive advertising market. There are powerful network effects, involving the collection, analysis, and targeted use of consumer and business behavioral data sets that will be compounded if the merger is approved, effectively eliminating whatever competition is currently viable in the marketplace. There is a significant overlap of major clients, services, and content relationships as well that, once a merger is consummated, will also have serious consequences for competition.

Indeed, a quick review of the results found in "Search Marketing Fact Pack 2007," released 5 November 2007 by *Advertising Age* magazine, should be sufficient to cause deep distress over this proposed acquisition. Google holds a commanding—and

growing—lead over its two principal competitors, in terms of revenues and number of searches (both in the U.S. and internationally).<sup>1</sup> I wish to make clear that we hold no animus against Google. Indeed, when we filed our major complaint with the commission on behavioral targeting in November 2006, we focused primarily on Google's competitors (Microsoft in particular). But its planned consolidation with DoubleClick, as our and many other analyses of the state of the market suggest, will make Google's position so formidable that what little major competition one would hope to see will be impossible.

By approving this merger without competitive safeguards, the FTC will endorse what *Search Engine Watch* described as the deal's likely affect: that Google would have "access to the bulk of the world's behavior." As Frank Watson explained, "Is Google moving towards being a total online advertising resource? Absolutely, they have search, analytics, content publishing resources both with AdSense and the newly added YouTube, and now an ad serving platform with video and rich media expertise—but also tracking abilities for the source of the pageviews, and more importantly the ability to monitor behavior across all sources of traffic. DoubleClick and Google now has access to the bulk of the world's online behavior. Not only search behavior, but anywhere they are controlling the ads. Impression and click counts are not the only thing they gain buying DoubleClick."<sup>2</sup>

The commission is making a grave error of both analysis and judgment if it believes—as press reports indicate—that the state of competition in the online advertising market reflects the same free-wheeling dynamic of what is know called the "dot boom" era of a decade ago. The rapid adoption of broadband-oriented behaviors by consumer households across most demographic groups (and especially among children, youth, and young adults—the so-called "digital natives"), both in the U.S. and in the EU and Asia, and the refinement of the interactive marketing application models (rich media, behavioral tracking, personal communications (IM, etc.) have created a stable set of market expectations. While the digital marketing "ecosystem" is still, thankfully, open to the occasional new or emerging entrant, conditions have set in that have created a well-organized marketplace under the control of a few. Google already has an unassailably dominant position in one part of the market—search. It is attempting to take over through one single strategic purchase—rather than through competition—the other part of the market it also wishes to control—display services for the largest websites. Approving this arrangement in the absence of reasonable conditions designed to maintain whatever competition is possible given the realities of the current marketplace—including a five-year window designed to help maintain (and hopefully foster) a more dynamic marketplace offering advertisers (and consumers) fair pricing and the benefits of innovation—would cast a dark shadow over what is the most important sector to the economy (and both our democracy and greater civil society) for the next decade at least.

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<sup>1</sup> Abbey Klaasen, ed., "Search Marketing Fact Pack 2007," *Advertising Age*, Nov. 2007, <http://adage.com/images/random/datacenter/2007/searchfactpack2007.pdf> (viewed 9 Dec. 2007).

<sup>2</sup> Frank Watson, "Google, DoubleClick: Myths and Facts" *Search Engine Watch*, 22 Oct. 2007, <http://blog.searchenginewatch.com/blog/071022-112404> (viewed 10 Dec. 2007).

As you know, my organization has been equally concerned with the privacy issues raised by the proposed acquisition. Indeed, no responsible party can ignore the deep and troubling linkages between the nature of the interactive marketing business and its data collection and use practices and serious threats to privacy. The April 2007 petition by the Electronic Privacy Information Center, to which we are a party, raised the relevant privacy issues. This letter is designed to summarize a number of the key competition issues, including matters that the staff review may have failed to meaningfully address.

We believe the matter of Google and DoubleClick will be the most important case reviewed by this commission related to the current and future competitiveness of the interactive marketplace. This decision will have far-reaching impacts (beyond privacy) that go to the core of what the consumer and democratic experience with new media will be in the near term—including the diversity of funding for online publishing, support for the institutions of journalism, the nature and quality of the emerging new-media mechanisms for civic engagement, the pricing for advertising, and consumer welfare. Over the last decade, my organization (and its predecessor group, Center for Media Education) has been at the forefront of tracking and analyzing digital marketing industry developments (including bringing a number of related concerns to the commission's regulatory attention). We brought to the FTC the key online marketing case (Kidscom) in 1996 that directly led to the passage of the Children's Online Privacy Protection Act. Our research and documents played a key role in the FTC establishing both the multiple ISP and interactive television non-discrimination safeguards in the FTC's consent decree for the AOL and Time Warner merger. More recently, CDD's complaint on behavioral targeting and related developments in interactive advertising directly led to much of the FTC's current activity in the area. It is with this expertise, and our overall concern that a serious injustice to competition and consumers is about to occur regarding this merger, that we respectfully submit the following points for your consideration:

**1. The relevant market is online interactive advertising.** This is a distinct field within the larger advertising/marketing system, with its own business models, sales personnel, techniques, industry trade groups, etc. While it is true, as Prof. Turow explained to the FTC competition staff during our meeting, that eventually all marketing will embrace the dynamics (and market practices) of digital advertising, today it is a distinct field of endeavor. The business is made up principally of two related spheres of activity—search and display.<sup>3</sup>

Google acknowledges what the market is as well. As reported last August in *Investors Business Daily*, "Google gets nearly all of its revenue from selling text-based ads that appear near search results. But about half the market is made up of graphical display ads,

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<sup>3</sup> [http://www.iab.net/about\\_the\\_iab](http://www.iab.net/about_the_iab); see also IAB Advertising Revenue Report, 2006 Full Year Results, May 2007. As the report explains in a discussion of revenue breakdowns for the interactive industry, "Search Continues to Lead, Followed by Display, Classifieds and Referrals—Search revenue accounted for 40 percent of 2006 full year revenues, slightly lower than the 41percent for the full year 2005. Display advertising, Classifieds, and Referrals accounted for 32 percent, 18 percent, and 8 percent of 2006 full year revenues respectively," p. 3. Also note the discussion of discrete online marketing industry "formats" and the report's methodology, pp. 14-15. Available as pdf at [http://www.iab.net/insights\\_research/1357](http://www.iab.net/insights_research/1357).

also known as banner or branding ads. The display ad market is too big for Google to ignore, said Susan Wojcicki, a Google product manager, during the meeting. 'We are focused on the branding market,' she said. The online ad market is 'search and display—and there isn't a lot after that,' she said."<sup>4</sup>

**2. The Google/DoubleClick merger raises both major horizontal and vertical competition problems.** Google and DoubleClick currently compete and could continue to do so. Indeed, the range of competitive operations is clear—but likely requires an analysis of someone more familiar with industry activities and business patterns than outside non-specialists. In reality, both Google and DoubleClick offer a range of strikingly similar (and growing, even before the FTC acts) online marketing services.<sup>5</sup>

For example, both Google and DoubleClick currently compete in the provision of ad-serving tools, as well as the placement of advertising on websites and networks of content sites. DoubleClick and Google also offer search-marketing services. AdSense, AdWords, and Google analytics provide a set of services that help marketers utilize the Google search engine and advertising network. DoubleClick's search-marketing operations include its DART Search and Performics division products. Here the addition of the search-marketing data analyzed and "optimized" by DoubleClick's search-marketing services will only dramatically bolster the existing dominance of Google. For example, in its marketing document entitled "Get extra mileage out of your search marketing," DoubleClick discusses its expertise related to its Performics division search marketing programs, saying to prospective clients that "we will define your strategy using overall campaign goals and objectives including competitive intelligence and our knowledge of the search marketing environment. Once the strategic direction is determined, the tactical implementation is launched. It includes but is not limited to,

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<sup>4</sup> "Video, Cell, Display Ads Get More Google Focus," *Investor's Business Daily*, 2 Aug. 2007, <http://www.democraticmedia.org/jcblog/?p=329>.

<sup>5</sup> Both Google and DoubleClick, for example, have recently expanded their interactive marketing efforts for the mobile market. See "What's new with mobile ads," Inside AdWords, 30 Nov. 2007, <http://adwords.blogspot.com/2007/11/whats-new-with-mobile-ads.html> (viewed 9 Dec.2007). DoubleClick announced its new mobile product at the end of September 2007.

<http://www.DoubleClick.com/products/mobile/index.aspx>. Both Google and DoubleClick are also offering new approaches for interactive tracking- and targeting-related ad services for television. According to a recent press release, "The combination of IntelliSpot(R) and DoubleClick Rich Media and Video, is designed to provide advertisers with the ability to easily create and monitor hundreds or thousands of versions of their video creative messages and dynamically deliver the exact optimized message to each Web browser across hundreds of Web sites." "Visible World and Doubleclick Team to Make Dynamic and Relevant Video Advertising," press release, 17 Oct. 2007, [http://www.DoubleClick.com/about/news\\_details.aspx?id=688&linkidentifier=id&itemid=688](http://www.DoubleClick.com/about/news_details.aspx?id=688&linkidentifier=id&itemid=688). "The deal links DoubleClick's DART ad management platform and rich media and video technology with Visible World's IntelliSpot system, which has primarily been used to advertise on cable channels. Users of the premium service will be able to create online video and rich media campaigns managed through the DART system, yet be altered by the IntelliSpot technology based on the viewer's geographic location, to provide specialized content." Matthew G. Nelson, "DoubleClick and Visible World Partner for Highly-Targeted Video Ads," *ClickZ*, 18 Oct. 2007, <http://www.clickz.com/showPage.html?page=3627339>. In late October 2007, Google and the Nielsen Company announced a strategic partnership. Joe Mandese, "Google, Nielsen Form Alliance: First Step Brings Demo Data To Google TV Ads," *Media Daily News*, 24 Oct. 2007, [http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticle&art\\_aid=69747](http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticle&art_aid=69747).

keywords, copy, trafficking and submission maintenance, budget allocation, bid strategies and optimisation to pre-agreed campaign metrics. DoubleClick's industry-leading integration and relationships are leveraged to ensure that programmes launch within fifteen business days after strategy is agreed."<sup>6</sup>

DoubleClick also discusses its "official status" search engines including Yahoo!, Google, and MSN. In 2006, DoubleClick described Performics as "the country's largest search engine marketing firm."<sup>7</sup> As DoubleClick explains in "The DoubleClick Difference," its "mission is to empower seamless collaboration and create efficiencies for everyone involved in the digital advertising process, enabling agencies, publishers and advertisers to maximise revenues from their digital investments in all forms across all channels. Whether you are trying to streamline your media planning and buying, or create or optimise your rich media advertising or search marketing campaigns, we have a solution to fit your needs."<sup>8</sup> In a 2006 presentation to potential clients, DoubleClick explained that its focus was solely on "digital advertising" and also "completely focused on customers." ("DoubleClick provides technology and services that empower agencies, web publishers and advertisers to work together successfully.") This document makes clear that, as with Google, DoubleClick works both the "buy side" and "sell side" of what it terms "The Online Media Value Chain," illustrating the overlapping and competing services between the companies.<sup>9</sup>

DoubleClick's principal ad serving and organizing product for search, Dart Search, handles a wide-ranging set of search engine marketing activities, explaining that

DART Search lets you handle all of your search campaigns and related ROI or CPA needs with a single interface for all the major search engines. Make changes once, using one straightforward interface. Users tell us DART Search is easy to use, with an apparent simplicity that belies its technological sophistication. DART Search is the only provider to give you:

- Spotlight tag bidding so you can optimise bidding on a cost per action basis, for multiple action types.

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<sup>6</sup> <http://www.DoubleClick.com/products/dartsearch/index.aspx>. DoubleClick explains that "DoubleClick Performics can help you get the most out of your search marketing investment. We provide our DART Search technology clients with a tactical menu of search engine marketing services that complement and enhance the use of DART Search technology. These services are designed to be used during times of resource or expertise shortage, or as an outsourced solution by campaign, client or for overall search marketing activities." See also "Get extra mileage out of your search marketing," DoubleClick Performics, [http://emea.DoubleClick.com/uk/downloads/pdfs/DART%20Search%20Services\\_uk\\_final\\_HD.pdf](http://emea.DoubleClick.com/uk/downloads/pdfs/DART%20Search%20Services_uk_final_HD.pdf).

<sup>7</sup> <http://ju2.4jobs.com/job.asp?id=14857671> (viewed 9 Dec. 2007).

<sup>8</sup> "The DoubleClick Difference." [http://emea.DoubleClick.com/es/pdf/delkdifference\\_UK.pdf](http://emea.DoubleClick.com/es/pdf/delkdifference_UK.pdf), (viewed 8 Dec. 2007); "DoubleClick Presents to E-Consultancy Ad Serving," 2006, [http://www.e-consultancy.com/knowledge/events/download/2006-adcreation/DoubleClick\\_adcreation06.ppt](http://www.e-consultancy.com/knowledge/events/download/2006-adcreation/DoubleClick_adcreation06.ppt).

<sup>9</sup> "The DoubleClick Difference"; "DoubleClick Presents to E-Consultancy Ad Serving," 2006, [http://www.e-consultancy.com/knowledge/events/download/2006-adcreation/DoubleClick\\_adcreation06.ppt](http://www.e-consultancy.com/knowledge/events/download/2006-adcreation/DoubleClick_adcreation06.ppt).

- Bidding and reporting based on real search engine data, so you always know what's really happening with impressions, clicks, click charges and search engine position.
- A 99% data accuracy policy
- Complete integration with the DoubleClick Integrated Publisher Suite and DART for Advertisers<sup>10</sup>

Both companies offer a range of critical—and competing—"dashboard" services that all advertisers, and many publishers, increasingly require. Indeed, the merging of these dashboard services should be deeply troubling to the commission, as it will so dramatically enhance the already-dominant market reach of Google. DoubleClick's new "DART® for Publishers (DFP) Dashboard" is one such example of the monitoring and organizing services provided by, as it wrote on 26 November 2007, "the premier provider of digital marketing technology and services." DoubleClick said it planned "to use the Dashboard as a platform for the future to unify data from across its entire product suite and beyond to provide enhanced operational visibility for media sellers."<sup>11</sup>

Google's dashboard services include its already-extensive system for managing its AdSense and AdWords services (which now also include organizing various rich-media and display services as well, such as what it calls "gadget ads") including on YouTube. But Google is also expanding its dashboard. The company has explained, according to its president for North America advertising and commerce that it is developing a "fully functional marketing dashboard." As *MediaPost* reported, the dashboard "will integrate data from advertisers' search, display and offline marketing efforts, allowing them, explained Google's Tim Armstrong, to look across assets, metrics and user engagement cycles." Confident that the FTC will fail to address such issues, Mr. Armstrong told industry analysts in October 2007 that "the more measurement you can put on this type of functionality the better," and explaining, said the trade publication, that once the DoubleClick acquisition closed, its display metrics would add yet another layer of functionality."<sup>12</sup>

Both companies have expanded—and are currently expanding—the staff of sales people and technical professionals to service the interactive marketing requirements of clients (although we believe the expansion is designed with the expectation of a favorable commission action). These two sale teams should be competing. Both companies have the resources to do so (and DoubleClick—if acquired by any other partner other than Google—would be able to receive whatever additional resources it requires while competition is preserved). The idea that DoubleClick is merely a passive provider of technological services and doesn't field a sales staff to aggressively secure new clients is

<sup>10</sup> DoubleClick Search Services. <http://emea.DoubleClick.com/uk/products/dartsearch/default.aspx> (viewed 7 Dec. 2007).

<sup>11</sup> [http://www.DoubleClick.com/about/news\\_details.aspx?id=758&linkidentifier=id&itemid=758](http://www.DoubleClick.com/about/news_details.aspx?id=758&linkidentifier=id&itemid=758), (viewed 9 Dec. 2007).

<sup>12</sup> [http://www.DoubleClick.com/about/news\\_details.aspx?id=758&linkidentifier=id&itemid=758](http://www.DoubleClick.com/about/news_details.aspx?id=758&linkidentifier=id&itemid=758), viewed 9 Dec. 2007). Tamaka Lee, "Google Prepping Big Brand Marketing Dashboard," *Mediapost*, 25 Oct. 2007, [http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticleHomePage&art\\_aid=69799](http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticleHomePage&art_aid=69799).

incorrect. For example, according to one current DoubleClick employment announcement, "The Inside Sales Representative is responsible for the development, growth and health of the DoubleClick Marketer pipeline of new business. This person will work with Marketer Sales to prospect and develop leads of new potential search customers. As an inside sales position, this role is intended to include phone and email contact with clients (via inbound and outbound activity) with the 'outside' or face-to-face client meetings happening with more senior search sales executives. The objective is to identify prospects that can benefit from DoubleClick's full breadth of search offerings and find the appropriate product/service mix to meet those needs."<sup>13</sup>

If the commission has failed to analyze the current and planned state of staffing for the online marketing efforts of the two companies, it can do so via exploring the accompanying citation. It should also explore the competing client services and the implications of a merger operation with DoubleClick "Platinum" offering and Google's "Partner Solutions Organization."<sup>14</sup>

Google has also integrated its various search and content functions into the system it calls "Universal Search." Announced in May 2007, the new system, explained Google, "...is to ultimately search across all its content sources, compare and rank all the information in real time, and deliver a single, integrated set of search results that offers users precisely what they are looking for.... [T]he company will incorporate information from a variety of previously separate sources—including videos, images, news, maps, books, and websites—into a single set of results. At first, universal search results may be subtle. Over time users will recognize additional types of content integrated into their search results as the company advances toward delivering a truly comprehensive search experience."<sup>15</sup>

Both Google and DoubleClick compete for the services of the key group of major advertisers (Fortune 1000-1500 companies). Online commentators have discussed Google's expansion of its "Display Advertising Network" to service Fortune 1000 companies. It's current hiring for advertising and marketing personal, as can be observed by the links we provide with this citation, is designed primarily to service such clients. DoubleClick, of course, bills itself as serving more than 1,500 major clients, including "Work with ALL of Top 10 Ad Agencies Worldwide; 9 of Top 10 U.S. sites, 8 of Top European sites."<sup>16</sup> We hope that the commission's analysis of the merger has included an

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[http://doubleclick.recruitmax.com/main/careerportal/Job\\_Profile.cfm?szOrderID=1277&szReturnToSearch=1&szWordsToHighlight=](http://doubleclick.recruitmax.com/main/careerportal/Job_Profile.cfm?szOrderID=1277&szReturnToSearch=1&szWordsToHighlight=) (viewed 9 Dec. 2007).

<sup>14</sup> [http://www.doubleclick.com/careers/job\\_search.aspx#](http://www.doubleclick.com/careers/job_search.aspx#);

[http://www.google.com/support/jobs/bin/topic.py?dep\\_id=1086&l](http://www.google.com/support/jobs/bin/topic.py?dep_id=1086&l);

[http://video.google.com/videoplay?docid=2930163812777301732oc\\_id=1100](http://video.google.com/videoplay?docid=2930163812777301732oc_id=1100);

[http://www.google.co.uk/support/jobs/bin/topic.py?loc\\_id=1113&dep\\_id=1086](http://www.google.co.uk/support/jobs/bin/topic.py?loc_id=1113&dep_id=1086);

[http://doubleclick.recruitmax.com/main/careerportal/Job\\_Profile.cfm?szOrderID=1092&szReturnToSearch=1&szWordsToHighlight=](http://doubleclick.recruitmax.com/main/careerportal/Job_Profile.cfm?szOrderID=1092&szReturnToSearch=1&szWordsToHighlight=).

<sup>15</sup> "Google Begins Move to Universal Search," press release, 16 May 2007,

[http://www.google.com/intl/en/press/pressrel/universalsearch\\_20070516.html](http://www.google.com/intl/en/press/pressrel/universalsearch_20070516.html) (viewed 10 Dec. 2007).

<sup>16</sup> "Updated: Google Display Advertising Network," John Battelle's Searchblog, 29 Nov. 2006,

<http://battellemedia.com/archives/003133.php>. See also, for example, the current Google job openings for

evaluation of the impact of such advanced services for both the current client list and its prospective impact on future relationships.

The commission should not accept Google's rationale for the acquisition that "the combination will accelerate our display advertising capabilities," creating in their view a "better experience for end users and advertisers and publishers that many years sooner...." This is not about acceleration: it's about market foreclosure.<sup>17</sup>

**3. The combination of the metrics derived from the combination of the Google's and DoubleClick's "database of intentions" will trigger an unfortunate, anti-competitive, and economically harmful online advertising market structure.** As the "Global Ad-Serving Leader," DoubleClick explained in a 2006 presentation, its "Ad-impressions" have increased by 70 percent since 2005 (that year it served 1,346,149,954,854 such impressions). Each day, the company serves "8 billion Search, Display and Rich Media Ads." Among the benefits of DART for Advertisers ("the number one choice for a 3<sup>rd</sup> Party Ad Serving Solution"), aside from the "Centralized Online Ad Management" system, was the "ROI Reporting" utilizing "Spotlight Tags [which] track consumer actions from impression to sale/action." Certainly such data acquisition added to Google's already-extensive wealth of market metrics and analysis tools (let alone user IP and search history) will help further broaden the already-impassable distance between Google and its closest competitor. Indeed, DoubleClick's recent expansion of its cross-industry data-collection and tracking services will be a formidable anti-competitive advantage for the company. Its new "Floodlight" system "combines the functionality of a spotlight tag with the ability to act as a universal tag for all other tracking tags, regardless of ad network." If such a merger is approved, the Floodlight services will also reward Google with a way to track "post-click conversion...on a real-time basis across multiple ad networks with whom DoubleClick have no direction affiliation.<sup>18</sup> The data advantages from DoubleClick's operations, including such acquisitions as Falk, will provide Google a treasure trove of metrics that will only add to the anti-competitive network effects. If the FTC has not examined the IP-related analysis performed for DoubleClick by such clients as Digital Envoy and Quova, it should do so. How Google plans to incorporate this system, we would argue, is something that must be addressed.<sup>19</sup>

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ad sales and major automobile, financial companies at  
<http://www.google.com/support/jobs/bin/answer.py?answer=37105>;  
<http://www.google.com/support/jobs/bin/answer.py?answer=7183>;  
<http://www.google.com/support/jobs/bin/answer.py?answer=7452>;

"DoubleClick Presents to E-Consultancy Ad Serving."

<sup>17</sup> "Google to Acquire DoubleClick," press release, 13 Apr. 2007,  
<http://www.google.com/intl/en/press/pressrel/doubleclick.html>.

<sup>18</sup> "DoubleClick Presents to E-Consultancy Ad Serving," emphasis in the original.

<sup>19</sup> See, for example, "DoubleClick Introduces Nielsen DMA and Bandwidth Targeting," press release, 31 Jan. 2005, <http://www.doubleclick.com/about/press.aspx?id=594&linkidentifier=id&itemid=594>;  
"Welcome to Digital Element," <http://www.digital-element.net/>. For the DoubleClick/Falk/Quova relationship, see "Falk Technology," <http://www.falkag.de/page.php?Id=42>; "Quova Marketing," [http://www.quova.com/page.php?id=11#Targeted%20Ad%20Serving%20\(Geo-targeting\)](http://www.quova.com/page.php?id=11#Targeted%20Ad%20Serving%20(Geo-targeting)) (all viewed 10 Dec. 2007).

The integration of the Google and DoubleClick data centers will also provide a far-reaching advantage (and, once again, raise the consumer privacy protection issue). In 2006, DoubleClick touted to clients its "Massive... Technical Infrastructure, featuring

- 640 Terabytes of storage
- 964 Gigabytes of log files processed each day
- Serving approximately 8 billion ads daily
- 17 Data Centers Strategically Placed Around the Globe

By the third quarter of 2006, DoubleClick had 30 Media Servers based in Chicago; 62 AdServers and 15 Media Servers in New Jersey; 62 AdServers and 30 Media Servers in New York City; 124 AdServers and 45 Media Servers in Ashburn, VA; 15 Media Servers in San Jose, CA, and a company-operated "backend system" in the Thornton, CO area. The company also had 118 Ad Servers through its International Data Center operation, including Sweden, United Kingdom, Germany, France, Japan, Taiwan, China (Hong Kong), and Australia.<sup>20</sup> DoubleClick's control over the database "log files" on its adservers that it collects and maintains for its clients provide it with a first-hand understanding of how the individual bits and patterns of data work most effectively for their clients, the vertical and cross platform content business, and finely-focused consumer sets. This is "cookie-level" information that DoubleClick—and potentially Google—can operationalize for their own anti-competitive activities.<sup>21</sup>

We admit we are not experts about the range of Google's clearly impressive data-storage and -analysis operation. But the melding of the two systems will clearly pose even greater challenges for competitors who will require the scope and range of such processing services. Google has, according to one recent published study, "anywhere from 100,000 to 165,000 or more servers.... Google data centers—now numbering about two dozen... come online and automatically, under the direction of the Google File System, start getting work from other data centers. These facilities, sometimes filled with 10,000 or more Google computers... are concentrated in North America with other data centers located in Switzerland, the Pacific Rim, and Beijing."<sup>22</sup> While Google shouldn't be penalized for its cutting-edge development of servers and data centers, the manner in which they are combined with DoubleClick's existing system must be part of the antitrust analysis.<sup>23</sup>

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<sup>20</sup> "DoubleClick Presents to E-Consultancy Ad Serving."

<sup>21</sup> Chen Wang, "The Magic Window," *Online Metrics Insider*, 12 Oct. 2007, [http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticleHomePage&art\\_aid=69076](http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticleHomePage&art_aid=69076) (viewed 10 Dec. 2007).

<sup>22</sup> Stephen E. Arnold, *The Google Legacy: How Google's Internet Search is Transforming Application Software*, Infonortics, 2005, <http://www.infonortics.com/publications/google/google-legacy.html>. There is a 2007 update available at <https://www.infonortics.com/https/goog-ord.html>.

<sup>23</sup> DoubleClick's relationships with other data-identifying technologies must also be analyzed for their anti-competitive impact. For example, "the integration of DoubleClick's DFA service with Omniture SiteCatalyst gives customers a variety of new features, such as new reporting views and value-added analysis so advertisers can spend less time on crunching data and more time taking action; deeper customer insight to better understand where visitors are coming from and where they go on a website; and lifetime success metrics that measure the effectiveness of advertising campaigns across the entire customer lifecycle." "DoubleClick and Omniture Customers Can Gain Deeper Insight Into Campaign Performance,"

**4. Google's growing domination of the search business—already a serious impediment to competition—will be sent over a critical tipping point if it is permitted to operate DoubleClick.** Google, as of August 2007, had a 56.5 percent share of U.S. searches, up 9.9 percent from the previous year (compare this with Yahoo! and MSN, lagging at 23.3 percent and 12.3 percent, respectively).<sup>24</sup> Google, of course, dominates the key global search market, with a nearly 61 percent market share (with Yahoo! and MSN at 14 percent and 3.5 percent, respectively).<sup>25</sup> While the international aspects of the online advertising bureau are likely outside the scope of the commission's review, it is clear that there are related key competition issues raised by Google's dominance of global market, given that brand ad budgets are geographically distributed).

"Google accounted for 64.49 percent of all U.S. searches in the four weeks ended October 27, 2007, while Yahoo Search, MSN Search and Ask.com accounted for 21.65 percent, 7.42 percent and 4.76 percent of searches, respectively, according to Hitwise, sister site MarketingCharts reports. The remaining 49 search engines in the Hitwise Search Engine Analysis Tool accounted for 1.68 percent of US searches, Hitwise said." Google's share was up more than 3.5 percentage points, some 6 percent from the year-earlier period. Yahoo's was down nearly 0.7 percentage points, MSN's was down 3.3 points and Ask was slightly up by 0.42." Google was, it was reported, the "Source of Traffic to Key Industries."<sup>26</sup>

Indeed, as the FTC must recognize, Google's market share doesn't reflect its dominance already over advertising dollars spent for search. As research from SearchIgnite and RBC Capital Markets reveals, "Google has surpassed both Yahoo and Microsoft in revenue earned per search in the second quarter of 2007, leading to Google's market share of 76% of the spending on the top three engines, even though Google only displays 60% of ad impressions." Among the reports findings:

- Search engine market share, defined as the percentage of media spend, has stabilized in 2007, as Google, Yahoo, and Microsoft have not been able to make significant gains.

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press release, 12 Dec. 2006, [http://www.doubleclick.com/about/press\\_details.aspx?id=496](http://www.doubleclick.com/about/press_details.aspx?id=496). Similarly, DoubleClick's relationship with ShopLocal, the resulting data metrics, and the potential role of Google Checkout must also be addressed. See "ShopLocal and DoubleClick Raise the Bar on Internet Retail Advertising," press release, 10 Oct. 2006, [http://www.doubleclick.com/about/press\\_details.aspx?id=512](http://www.doubleclick.com/about/press_details.aspx?id=512) (viewed 10 Dec. 2007).

<sup>24</sup> "Time Warner's AOL and Google to Expand Strategic Alliance," press release, 20 Dec. 2005, [http://www.google.com/intl/en/press/pressrel/twaol\\_expanded.html](http://www.google.com/intl/en/press/pressrel/twaol_expanded.html). As a result of its \$1 billion, 5 percent stake in AOL, Google "will continue providing search technology to AOL's network of Internet properties worldwide." Google has renewed its relationship with Ask (IAC), making it "the exclusive provider of sponsored search results on IAC's Ask.com for the next five years." Paul R. La Monica, "IAC to Split into Five Companies," CNN Money, 5 Nov. 2007, <http://mediabiz.blogs.cnnmoney.cnn.com/category/iac/>.

<sup>25</sup> "Search Marketing Fact Pack 2007," 9.

<sup>26</sup> "64% US-Based Searches Occurred on Google in Oct, Up 6 Percent YOY," *MarketingVOX*, 20 Nov. 2007, <http://www.marketingvox.com/archives/2007/11/20/googles-share-of-oct-us-searches-64-percent-up-6-percent-yoy/?camp=newsletter&src=mv&type=textlink> (viewed 10 Dec. 2007).

- Google continues to garner a much larger percentage of media spend than its percentage of searches. In June 2007, Google received 76% of media spend while it received only 60% of searches across its network. In contrast, Yahoo earned 18.3% of media spend although it received 34% of searches across its network over the same time period....<sup>27</sup>

Google's "Media Platform" has already cemented an unassailable position. In documents provided to recent potential clients (and available upon request on a confidential basis), Google explained that its "One Buy: Mass Targeted Reach" can connect with "over 80% of U.S. Internet users." It explains this network includes the "U.S. search engine (Google), search partners including AOL, Ask.com, Earthlink, thousands of content partners including: The New York Times, Reuters, PBS, Business.com, Boston Herald.com, About.com." Google features in its presentation the important role of FeedBurner; the "Geographic...Mapping Technologies & Targeting Capabilities" for its advertising; its "Google Analytics" that permit one to "track, measure, optimize & pull data"; its "contextual and psychographic micro-targeting"; its "site targeting" for newspapers (including Nytimes.com, marketwatch.com, wsj.com, boston.com, sfgate.com, post-gazette.com, starbulleting.com); its other media targeting including Washingtonpost.com; its YouTube service; and that its "Google Network reaches all these groups of sites:

1. Feedster's 500 most influential blogs
2. Time magazine's top 100 websites
3. PC Magazine's top 100 websites
4. Men's Journal top 100 websites for guys
5. Webby award winners and nominees.<sup>28</sup>

**5. There is a strong and growing relationship between the search and display parts of the business.** Research has demonstrated the complementary role of search and display marketing. Atlas research showed, for example, that "exposing search users to display media from the same advertiser results in a 22 percent increase over search alone, suggesting a synergy between these two channels that cannot be measured separately." As Atlas Solutions' Esco Strong points out in "The Combined Impact of Search and Display Advertising—Why Advertisers Should Measure Across Channels," the "conversion rate lifts vary as much as 8x between advertisers." "Display Ad frequency" also impacts search results ("click-to-conversion rates"). The economic benefits for

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<sup>27</sup> "This study tracked more than 14 billion impressions and 185 million clicks on Yahoo, Google, and MSN from January 1, 2006 through June 30, 2007 across more than 500 marketers, all of whom are clients of SearchIgnite directly or via its sister company 360i." "Google Leads in Search Monetization as Yahoo's Market Share Stabilizes," press release, 17 July 2007, [http://www.businesswire.com/portal/site/google/index.jsp?ndmViewId=news\\_view&newsId=20070717005817&newsLang=en](http://www.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20070717005817&newsLang=en) (viewed 10 Dec. 2007).

<sup>28</sup> The statements in this paragraph are from a confidential document, available upon request.

Google, as the leading search engine, as it incorporates the inventory and client base of DoubleClick will simply mean that it can further outperform every competitor.<sup>29</sup>

Understanding the importance of search—and its inter-relationship with display—is essential for comprehending this acquisition. Last month we urged the competition staff to review a presentation by a Google executive in the United Kingdom made at a leading online advertising industry event (Engage 2007). He presented a summary of Google's research documenting the key role search plays in the customer acquisition and conversion process. During the presentation, he discussed recent Google proprietary research on its marketing approach. (We had urged the staff at the FTC to view the video and request the related research for its analysis). He explained that "search acts as a multiplier" across the board, in the context of its relationship with other ad inventory (such as display). Search on its own—which Google dominates—is key to advertisers, with the company reporting that "25% of search queries lead to purchase."<sup>30</sup>

The trade literature spells out clearly the crucial relationship between search and display: Google has probably been studying over the past year or so the impact display advertising has on search advertising. The two are tied closely together, with display ads fueling search ads for advertisers. While previously all the credit went to the search engines for producing a great ROI, advertisers now recognize that banner ads are the driving force behind users' searches, and Google is simply the final conduit to get to a specific site.

Because Google has such a dominant position in search advertising, it is moving quickly to make the weakest part of its business—display advertising—a strength. Google benefited a great deal from the DoubleClick acquisition: it gained access to greater user data, specifically to the types of content a user reads when outside of Google.com, as well as which ads a user finds of interest. Acquiring what many considered the marquis brand in ad serving bought it credibility in the display advertising market. The Google-DoubleClick deal is not so much about purchasing a new method of targeting as it is about acquiring assets to help its display advertising business. Google stands to lose a lot if search is looked at less favorably in the future and has to move now to protect its position."<sup>31</sup>

The relationship between search and display as one market can also be demonstrated by the recent announcement by Yahoo! that it was combining its sales teams for the search and display advertising business.<sup>32</sup> Such a move reflects Yahoo's own research that

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<sup>29</sup> Esco Strong, "The Combined Impact of Search and Display Advertising—Why Advertisers Should Measure across Channels," Atlas Digital Marketing Insights, [www.atlassolutions.com/uploadedFiles/Atlas/Atlas\\_Institute/Published\\_Content/crosschanneldmi.pdf](http://www.atlassolutions.com/uploadedFiles/Atlas/Atlas_Institute/Published_Content/crosschanneldmi.pdf).

<sup>30</sup> Matthew Brittin, "Keeping Up with the Consumer--A Revolution in Search," 7 Nov. 2007, <http://iabengage2007.vividas-europe.com/>.

<sup>31</sup> Tim Vanderhook, "The Aftermath Of Acquisitions: Who's Winning The Display Advertising Battle," *Online Spin*, 15 Nov. 2007, <http://blogs.mediapost.com/spin/?p=1173> (viewed 10 Dec. 2007).

<sup>32</sup> "Yahoo! to Combine Search and Display Advertising Sales Teams to Better Serve its Advertising Partners," press release, 24 June 2007, <http://yhoo.client.shareholder.com/press/releasedetail.cfm?ReleaseID=250796> (viewed 10 Dec. 2007).

"shows combined search and display ad campaigns result in deeper engagement, increased sales. Online users who were exposed to both the search and display advertising campaigns increased their share of page views relative to competitive sites by 68 percent, and time spent by 66 percent. More importantly, among those exposed to both the search and display ads, purchases of the advertiser's products and services increased by 244 percent online and 89 percent offline compared to online users with similar behavior who were not exposed to these ads."<sup>33</sup>

**6. The consolidation of DoubleClick and Google will provide the current dominant force in interactive advertising with key advantages related to the business histories and practices of the wealthiest (global) clients and brand advertisers.** Of course, DoubleClick has perhaps the longest history of business practices and expertise in the Internet ad market. As the company explains, it has been a leader in the business "since the beginning: from the birth of the banner through to the interactive rich media skyscrapers of today, we have helped clients deliver on the rich possibilities of this medium for over 10 years." The same 2006 document listed DoubleClick's advantages, including:

Clients work with DoubleClick because of our:

Experience

Over 10 years digital advertising experience and over 1 trillion ads served annually.

With over 1000 industry influencers collaborating using our systems including:

8 of Top 10 Global Agencies

9 of Top 10 Global Brands

9 of Top 10 US Sites, 8 of Top 10 European Sites

Global products and services for local markets

With development hubs in 3 continents communicating with 21 offices and 15 data centres in 10 different languages, DoubleClick guarantees an innovative product and a service roadmap relevant to local market requirements.<sup>34</sup>

The incorporation of DoubleClick's "rich-media" data-tracking and analysis products within Google's own multimedia efforts will also give it an unfair commercial advantage in this key sub-sector of the online advertising market. Rich media is a critical application within the online advertising business. Defined by the Interactive Advertising Bureau as "advertisements with which users can interact (as opposed to solely animation) in a web page format," rich media is now considered a "mainstay" for most agencies and advertisers.<sup>35</sup> DoubleClick's extensive rich-media marketing services, including its detailed analysis and data reporting of user interactions, are a critical area that will be a principal element in the anti-competitive marketplace if the acquisition is approved by the

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<sup>33</sup> "Yahoo! Research Helps Close the Loop Between Search and Display Advertising," press release, 4 Dec. 2006, [http://us.i1.yimg.com/us.yimg.com/i/adv2/pdf/brainfood/close\\_the\\_loop.pdf](http://us.i1.yimg.com/us.yimg.com/i/adv2/pdf/brainfood/close_the_loop.pdf) (viewed 10 Dec. 2007).

<sup>34</sup> The DoubleClick Difference.

<sup>35</sup> IAB Glossary, [http://www.iab.net/iab\\_products\\_and\\_industry\\_services/1421/1494](http://www.iab.net/iab_products_and_industry_services/1421/1494); Dawn Anfusio, "Rich Media Trends for 2006," *iMedia Connection*, 4 Jan. 2006, <http://www.imediaconnection.com/content/7711.asp> (viewed 9 Dec. 2007).

FTC. Indeed, if the commission has failed to analyze the impact of DoubleClick's "Motif" product if incorporated into Google's expanding set of broadband, rich-media services, it should do so immediately. (We provided a great deal of information about Motif to the commission staff at the start of its inquiry). The Dart Motif Rich Media product will be tied into Google's online advertising system, giving it greater market intelligence about customer behavior and needs across the key interactive (and broadband video) sector of the market. Motif's "exclusive package tracks more than 30 events, giving... real data for audience engagement." It is also integrated into the DART system, including the "Spotlight" Tags tracking system. Since Doubleclick's Motif service is "certified by such major portals as MSN, AOL, and Yahoo!," it will be another way a Google-controlled DoubleClick will be given an unfair advantage in terms of data analysis, tracking reach, and placement.<sup>36</sup> Google has also recently expanded its interactive media offerings within AdSense, offering what it calls "video units." Various rich media offerings, including games, are also scheduled for AdSense.<sup>37</sup>

Google clearly has the capacity to compete in the delivery of rich media advertising and metric collection services without consolidating control via DoubleClick. As Google launched its "Gadget" (widget-like) ad service in September 2007, *Online Media Daily* noted that "Marketers have the option to target consumers by keyword, site, demo- or geographic location, and their Gadget Ads will compete against text, images and other ad formats for the placement on pages in Google's content network. According to Christian Oestlien, Google business product manager, Gadget Ads are also backed by actionable metrics. "In addition to the combination of precision and scale, advertisers get a whole system for tracking interactions. They can specify particular behaviors like mouse-overs or clicking-throughs, and get an interaction report in the AdWords Report Center."<sup>38</sup> Such rich media reporting is precisely what DoubleClick now provides via its Motif services.

**7. The incorporation of additional ad inventory through its control over the DoubleClick Advertising Exchange will also further the anti-competitive conditions of the interactive advertising market.** The emergence of interactive ad exchanges is a critical issue that the commission should have analyzed as part of this merger review. (We analyzed the privacy-related issues of the ad exchange system in our 1 November 2007 amended complaint submitted to the FTC). Already by last summer, DoubleClick reported that "More than 60 premier publishers, advertisers, agencies and ['leading' ad] networks" were working with its new service. More than "sixty" ad networks and the "top ten [advertising] agencies" are participating. Its exchange "now supports the buying and selling of all standard types of online display advertising. However, the exchange was built to support a range of inventory, including video, in-game and yet-to-be-developed new forms of digital advertising." Explaining to *iMedia Connection* what "differentiates" its exchange from its few competitors, DoubleClick highlighted the following items:

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<sup>36</sup> DART Motif: Agencies Overview, <http://www.ads-in-action.net/>.

<sup>37</sup> Inside AdSense: Introducing Video Units, 8 Oct. 2007, <http://adsense.blogspot.com/2007/10/introducing-video-units.html>. Elinor Mills, "Google taps YouTube videos for ads," CNET, 8 Oct. 2007, [http://www.news.com/8301-10784\\_3-9793367-7.html](http://www.news.com/8301-10784_3-9793367-7.html).

<sup>38</sup> Tameka Kee, "It's Official: AdWords + Widgets = Google Gadget Ads," *Online Media Daily*, 19 Sept. 2007, [http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticle&art\\_aid=67686](http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticle&art_aid=67686).

- Seamless integration: DoubleClick Advertising Exchange is tightly integrated with DoubleClick's existing DART ad management platform, enabling yield maximization across sales channels for sellers, as well as shared creatives, advertisers, Spotlight Tags and audience targeting for buyers.
- Dynamic allocation: For sellers, DoubleClick Advertising Exchange automatically determines how to generate the highest return for every impression by dynamically allocating to the highest paying sales channel.
- Dynamic selection: DoubleClick Advertising Exchange allows buyers to target and purchase only the inventory they desire, without the need to buy impressions they may not need.
- Controls and visibility: Sellers benefit from complete control over to whom impressions are sold, what ads are run and at what price. Buyers can use a range of targeting features to improve campaign performance in real time, including tools that enable them to continuously test, measure and modify characteristics like frequency, reach and location.
- Clearing mechanism: DoubleClick Advertising Exchange provides a single billing and payment point for all transactions, greatly reducing complexity and financial risk. Buyers submit and sellers receive a single payment for all impressions sold, regardless of the number of buyers.

Indeed, in addition to the "tightly integrated" exchange with "DoubleClick's existing solutions, integration with DoubleClick's ad management platforms—including DART® for Publishers and DART® Enterprise...[and] DART® for Advertisers...", Google will also be able to use the exchange to promote its ad serving tool set over competitors (such as through the free bundled use of the DoubleClick service in exchange for the placement, management, and service of interactive ads, via search and display. It will also have a first look at ad inventory across the entire interactive marketing landscape—from both the publishers' and buyers' vantage points. Instead of a neutral marketplace designed to bring efficiency to the online marketing system (at a cost, we must add, to the personal privacy of consumers—the commission should examine the issue of spotlight tags), a Google-operated Advertising Exchange will give it an unfair and anticompetitive position.<sup>39</sup>

The incorporation of DoubleClick's massive data collection, consumer profiling, leading publisher and advertiser business models, and advanced behavioral targeting services will have serious network effects. Online advertising is all about having the data sets on individual users and the reach across the online universe of key publishing and site inventory. While DoubleClick claims the information it collects via its cookies, tags, and other services is the property of clients, it is being disingenuous with the FTC if it did not also say that it—through a variety of analysis and their own hold over the data—has

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<sup>39</sup> Nanette Marcus, "Ad Exchanges at a Glance: DoubleClick," 18 July 2007, <http://www.imediaconnection.com/content/15818.asp> (viewed 9 Dec. 2007).

leverageable insights into such a deep range of behavior patterns and use. While both parties likely claim the result of their merger will be efficiency, the truth is that the insights and market relations of DoubleClick will be used to provide Google an unfair advantage. The incorporation of DoubleClick's behavioral retargeting technologies, known as "Boomerang," will also provide a tool for Google (which it could develop on its own) that "...allows you to identify and target your prospects and customers based on the actions they've taken on your site. Behavioural targeting allows you to further engage your audience by providing them relevant and timely messages triggered by their actions online. With automated re-targeting, the net result is a significant improvement in your customer acquisition, conversion and retention rates across your entire media buy."<sup>40</sup>

**8. The recent, rapid expansion of Google leading to its control over both the premier blog and RSS advertising syndication network, Feedburner, and online video distribution platform, YouTube, provides it with a range of data access and content services that will be anti-competitively compounded by a DoubleClick merger.** Through its strategic acquisition of these two leading content portals, Google has acquired a massive inventory for data collection and targeting. These two recent Google deals should have been analyzed by staff, to understand their importance in maintaining Google's leadership in both the search and display dimensions of the online advertising market. The DoubleClick acquisition, if approved by the commission, takes Google beyond a reasonable "tipping point" and sanctions an anti-competitive market structure.

Google acquisition of Feedburner on 1 June 2007 gave it control over what it describes as "the biggest, baddest advertising network for blogs and RSS feeds you'll find anywhere on the planet. We'll put your advertising message in front of an impressive online audience spanning the world's most recognized media publishers (e.g. Wall Street Journal Online, Wired News, Ziff Davis), A-list bloggers and blog networks and individual publishers from around the world." Among the benefits of the Feedburner deal, was that Google now controls, in its own words, "The most RSS feed inventory on the Web today... [with] millions of subscribers and visitors." "FeedBurner's ad-serving capabilities including geo-targeting by country/state/DMA, day-partitioning, and frequency-capping." On October 31, 2007, Google announced that Feedburner was now integrated into its AdSense program.<sup>41</sup>

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<sup>40</sup> DART for Advertisers,

[http://emea.doubleclick.com/UK/downloads/pdfs/adlink\\_rebranded\\_finalHD\\_uk.pdf](http://emea.doubleclick.com/UK/downloads/pdfs/adlink_rebranded_finalHD_uk.pdf). The commission should also note that behavioral targeting segments are traded on the DoubleClick Ad Exchange, allowing a Google-run entity to both secure additional marketing intelligence about consumers and business goals, along with the ability to leverage its behavioral targeting application.

<sup>41</sup> "Google has acquired Feedburner," <http://www.feedburner.com/google>

See also "Adding More Flare," <http://googleblog.blogspot.com/2007/06/adding-more-flare.html>;

"Feedburner Ads for Blogs and Feeds" <http://www.feedburner.com/fb/a/advertising>; "FeedBurner

Introduces the First Content Control Feature,"

[http://www.feedburner.com/fb/a/pressreleases?release=feedburner\\_introduces\\_the\\_firs.jsp](http://www.feedburner.com/fb/a/pressreleases?release=feedburner_introduces_the_firs.jsp); "AdSense Integrated with FeedBurner Site Ads,"

[http://blogs.feedburner.com/feedburner/archives/2007/10/adsense\\_integrated\\_with\\_feedbu\\_1.php](http://blogs.feedburner.com/feedburner/archives/2007/10/adsense_integrated_with_feedbu_1.php) (all viewed 10 Dec. 2007).

As Google acquired Feedburner, *Online Media Daily* reported that

Adding Feedburner to its portfolio would give Google a number of gains. The ability to roll tracking statistics on Feedburner's reported total of more than 720,000 feeds into Google Analytics is the most obvious, as the business of online advertising increasingly gets driven by trailing and deciphering user behavior. "Google's Analytics suite will definitely benefit over time through this acquisition," said Brough. [vice president and search director, DraftFCB]

And while the deal may also speed up widespread integration of AdSense ads into RSS feeds (an option currently available to select advertisers during closed beta testing), its implications for personalized search may be more valuable. Should Google decide to combine knowledge of a user's subscribed feeds with its wealth of corresponding behavioral data, the company will be able to further target both search and advertising capabilities.<sup>42</sup>

Beyond operating the RSS and blog feed advertising services that features such clients as the *Wall Street Journal*, *USA Today*, Ziff Davis, Wired News, and leading blogs (Boing Boing, BuzzMachine, Federated Media, Instapundit, Slashdot, among many others), Google now also operates YouTube.<sup>43</sup> The control over the significant distribution-related data has given Google an unprecedented online advertising market advantage.<sup>44</sup>

YouTube, as it claims, is "the world's largest online video community allowing millions of people to discover, watch and share originally created videos. YouTube... acts as a distribution platform for original content creators and advertisers large and small." It is considered the "number one online vide brand." At the same time, DoubleClick has acknowledged that it does "the most video on the Internet," and is the "second largest rich media vendor."<sup>45</sup> Google has been "tagging" the YouTube video inventory for its advertising targeting system, providing it with a powerful set of metrics.<sup>46</sup>

## Google's Already Significant Expansion

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<sup>42</sup> Tameka Lee, "Google's Feedburner Grab Would Impact Personalized Search, Analytics," *Online Media Daily*, 25 May 2007, [http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticle&art\\_aid=60956](http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticle&art_aid=60956) (registration required, viewed 10 Dec. 2007).

<sup>43</sup> FeedBurner Media Kit, <http://www.feedburner.com/fb/a/advertising>.

<sup>44</sup> "Google to Acquire YouTube for \$1.65 Billion in Stock," press release, 9 Oct. 2006, <http://investor.google.com/releases/20061009.html>. See, for example, its discussion of the control of YouTube data: "YouTube Data API: Terms of Service," <http://code.google.com/apis/youtube/terms.html> (viewed 10 Dec. 2007). For a glimpse into the role data and metrics play in YouTube operations, see "YouTube Sales Planner—London," <http://www.google.co.uk/support/jobs/bin/answer.py?answer=80179> (viewed 10 Dec. 2007).

<sup>45</sup> Zachary Rogers, "Questions for Ari Paparo, VP of DoubleClick Rich Media," *ClickZ*, 9 Aug. 2007, [http://www.clickz.com/showPage.html?page=clickz\\_print&id=3626689](http://www.clickz.com/showPage.html?page=clickz_print&id=3626689); "Google To Acquire YouTube for \$1.65 Billion in Stock." "Hearst-Argyle Television Reaches Innovative Content Agreement with Google and YouTube," press release, 4 June 2007, [http://www.youtube.com/press\\_room\\_entry?entry=00mUGYcmBvw](http://www.youtube.com/press_room_entry?entry=00mUGYcmBvw) (all viewed December 10, 2007).

<sup>46</sup> "Content of YouTube Videos Soon Verified: Marketers Can Target Audiences," 77Lab, 10 May 2007, [http://www.77lab.com/Content\\_of\\_YouTube\\_videos\\_soon\\_verified.html](http://www.77lab.com/Content_of_YouTube_videos_soon_verified.html) (viewed 10 Dec. 2007).

The integration of the DoubleClick marketing services and data assets with Google will significantly exacerbate an already-anticompetitive market structure for interactive advertising. The combination of the leading search engine, online blogging and RSS network (Feedburner), number one broadband video site (YouTube) with the leading interactive marketing services company (DoubleClick) will escalate significant network effects. Already, Google is able to benefit from its own commanding lead in the search dimension of the online advertising business to advance its related display-ad related businesses. As *ClickZ* reported in a discussion of the key role of search and its transformation into both a "destination" and multiple marketing service center, "Nearly 400 million Google search referrals are to its own multimedia properties. Over the past six months, the search behemoth has been holding on to plenty of search traffic rather than push it to other sites. Traffic to Google's own images has grown an astonishing 173 percent; YouTube has grown 143 percent; Google Video has grown 77 percent; Maps has grown 45 percent; and News has grown 32 percent."<sup>47</sup>

### **Recommendations**

We would prefer that the transaction be denied. But in the absence of such a decision, a series of conditions are required. We have listed two below, and are happy to discuss additional options. But nothing short of preventing the full incorporation of DoubleClick into Google will serve the competitive landscape.

- Require a five-year period where DoubleClick and its subsidiaries must operate as an independently managed entity. No sharing of business data and related analysis, customer services, or technologies should be permitted.
- Require the divestiture of the DoubleClick ad exchange, which will help ensure that advertising inventory can be serviced through a competitive process.

Respectfully,

Jeffrey Chester  
Executive Director  
Center for Digital Democracy  
Washington, DC

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<sup>47</sup> Rebecca Lieb, "Search: More Options, More Money, More Media," *ClickZ*, Dec. 2007, <http://www.clickz.com/3627> (viewed 8 Dec. 2007).