WASHINGTON, D.C. – The American Antitrust Institute (AAI) issued a white paper today concluding that the Google-DoubleClick merger raises serious competitive issues under several different antitrust theories.

The analysis by AAI focuses on two markets in the online advertising industry – the market for distributing or brokering online advertising space of web publishers (such as washingtonpost.com) and the market for “ad serving” tools that web publishers use to insert and manage the process of “serving” ads to Internet users that visit their web sites. Google’s AdSense network is the leading advertising network for web publishers to sell their advertising space, while DoubleClick’s DART for Publishers is the leading provider of ad serving tools for publishers.

Google has claimed that it doesn’t compete with DoubleClick, but AAI disagreed. The paper notes that Google and DoubleClick have each recently introduced products that compete directly with the other’s market-leading products. DoubleClick’s new Advertising Exchange competes for publishers’ ad space or “inventory” against Google’s AdSense, while Google is in the process of introducing an ad serving product that competes against DoubleClick’s DART for Publishers.

The paper points out that while Google’s AdSense network has mostly sold text ads to date, it also sells display ads and it has been moving to strengthen its display ad offerings without the merger.

“The most troubling aspect of this merger from a competition point of view is that it short circuits what would otherwise was shaping up to be a healthy competition between two market-leading firms in each other’s core markets,” said Richard Brunell, AAI’s director of legal advocacy and author of the white paper.

Under the agencies’ horizontal merger guidelines, AAI said, it is critical that the FTC look at likely future market shares absent the merger, not merely current shares. Given their leading positions and relationships with advertisers and publishers, both companies are separately poised to gain significant market share in the near future with their new products.
Whether viewed under a horizontal merger theory or a potential competition theory, AAI noted that the key considerations are the same: market concentration, entry and efficiencies. Based on publicly available data, AAI said that the distribution and advertising markets appear to be concentrated, Google and DoubleClick appear to have significant market shares in those markets (Google in the former and DoubleClick in the latter), and concentration will be higher as a result of the merger. Moreover, AAI concluded that entry may be difficult in these markets because of network effects, that is, the larger the advertising network (or publisher base using an ad server), the more popular and effective it becomes. Furthermore, AAI concluded that the merger does not appear likely to result in appreciable merger-specific efficiencies.

“If the evidence confirms that these markets are concentrated and that entry is otherwise difficult, as appears to be the case, then the merger presents a relatively straightforward case for challenge under the horizontal and non-horizontal merger guidelines,” the report states.

AAI also sees a risk of significant foreclosure effects from Google’s control over DoubleClick’s publisher and advertiser tools and integration of those tools with Google’s dominant search engine and advertising network.

“The upshot of the merger,” the report concludes, “may be higher costs for web publishers to sell their advertising space, which ultimately may affect the diversity and richness of content available on the Internet, and the vibrancy of the media.”

The American Antitrust Institute is an independent non-profit education, research and advocacy organization. Since its formation in 1998, AAI has made a significant impact on the direction and execution of antitrust and competition policy. A full copy of the white paper, and other information about AAI, is available at www.antitrustinstitute.org.

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