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## Your information

**In what capacity or on behalf of whom are you participating in this public consultation?**

Digital platforms

**Full name (of the individual or the represented institution)**

Google

**Do you wish to publish this name together with your response or do you prefer to keep it confidential (so that the answer will appear as anonymous)?**

Public

**Contact e-mail (remains confidential)**

**Brief explanation of the reasons for the specific interest of the individual's or the institution's interest in online advertising (max. 1,000 characters)**

Google sells advertising space on its owned and operated properties, such as Search and YouTube, and offers an innovative selection of advertising technology and intermediation services to both advertisers and other sellers of ad space (publishers). Our online advertising business funds most of our operations and allows us to offer valuable and popular tools and services to hundreds of millions of people across the world free of charge, including Search, Maps, Chrome, Gmail and YouTube. Every year Google invests billions of euros in providing services funded by online advertising revenues.

**With which firms do you deal in this sector? (max. 1,000 characters)**

Through the sale of advertising space on its owned and operated properties, Google competes with other publishers for ad spend of advertisers, both by attracting users to its properties with innovative and free services and by helping advertisers maximize returns on their ad spend. Google sells its ad space either directly to advertisers, or to agencies that buy on behalf of multiple advertisers.

Advertising technology and intermediation services, including ad networks, demand- and supply-side tools, and data management platforms, help advertisers, agencies, and publishers place, buy and sell advertising space in an optimal way. Through the sale of its products and services in this space, Google engages with advertisers, agencies and publishers, and other providers of ad technology and intermediation services.

**Do you want to publish this information (the one on the firms with which you deal)**

**within your response or do you prefer to keep it confidential so that the response is made public without disclosing this information?**

Public

**Which undertakings would you consider to be the most important in the different segments: advertisers, digital platforms, intermediary agents, etc.? (max. 1,000 characters)**

There are many players in each of these segments; online advertising is a crowded ecosystem. Examples of advertisers include companies with household consumer brands, like El Corte Inglés, Coca Cola, Volkswagen, Ford, L'Oreal, Procter&Gamble, Orange, Telefónica, Vodafone or ING. Examples of ad agencies include WPP, Omnicom, Publicis, IPG, Dentsu, Havas, Entusiasmo, GO and VIKO. Examples of publishers include popular online destinations and mobile applications like El Mundo, El Pais, Marca, Expedia, TripAdvisor, Yelp, Facebook/Instagram, Amazon, Microsoft's Bing, LinkedIn, AliExpress, eBay, Schibsted, Twitter, Snapchat, Pinterest, Reddit, Spotify, Candy Crush and Clash of Clans. Ad technology and intermediation providers include Facebook, Amazon, AppNexus (a subsidiary of AT&T), Oath (Verizon), Freewheel (Comcast), Oracle, Adobe, Rubicon Project, Pubmatic, OpenX, Adform, The Trade Desk, MediaMath, Twitter (MoPub) and Criteo. There are many more players, and new ones emerge regularly.

## **General Assessment**

**Developments in online advertising imply a net positive impact on competition and efficiency**

5

**Advertisers can reach final consumers at lower costs**

5

**Advertisers can reach its target consumer more effectively (targetability)**

5

**There is a wider variety of options to launch an advertising campaign**

5

**There is a wider variety of agents with which hiring advertising services**

5

**Should you wish to do so, further and additional comments can be provided (max. 4,000 characters)**

Google agrees that developments in the online advertising sector have had a significant net positive impact on competition and efficiency.

The proliferation of websites, mobile applications and online services has led to a drastic increase in the supply of ad inventory. Today, advertising businesses can reach the same consumers not only on TV, radio, in print, and on billboards, but also via email, SMS text, many millions of websites and mobile applications, music and video streaming services, and podcasts. And, while many of the ad sales still happen through direct contracts between advertisers and publishers, advertising technologies and intermediation services have made it easier and more efficient for advertisers to find ad inventory that maximizes their return on advertising spend and for publishers to find the best buyers to maximize

their ad sales.

Meanwhile, advanced targeting technologies have enabled advertisers to reach the right audiences, deliver more relevant ads to consumers, and generate higher returns on ad spend, while enabling publishers to better monetize their ad inventory. Advanced targeting and other ad tech innovations also have increased competition among different ad formats and sellers. Targeting capabilities of different ad formats (search, social, e-commerce, video, TV etc.) have become more comparable, making them more substitutable. At the same time, sophisticated software tools have emerged that allow advertisers and agencies to compare pricing and performance of different ad formats and sellers in real time and shift their ad spend from one to the other accordingly.

eMarketer reports that global digital ad spend has grown at a compound annual growth rate of roughly 17% between 2012 and 2017. Similarly, IAB Europe reports that digital ad spend in Spain has grown at a CAGR of roughly 14% over the same period. That, in turn, has attracted significant entry, investment, M&A activity and initial public offerings in online advertising, both by new companies and by major well-established companies operating in other sectors. Examples include Hispavista, SnapChat, Pinterest, The Trade Desk, Amazon, Oracle, Adobe, Verizon, AT&T, Comcast and many others. But these are merely a few examples; the space is very diverse and crowded. Advertisers utilize many different agencies, trading desks and ad technology and intermediation providers to manage their ad campaigns and maximize their return on ad spend across many different channels and publishers. Indeed, most advertisers and agencies multi-home and mix and match different tools and vendors.

As discussed below, in response to the questions about the impact on consumers, this growth, increased competition, and technological innovation has not only benefited advertisers and online publishers, but also especially consumers.

## **Impact on consumers**

**Online advertising yields more advantages than disadvantages for final consumers**  
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**Online advertising is a more efficient way of providing advertising services**  
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**Greater efficiency in online advertising sector translates into lower prices and/or better quality of the final goods and services**  
5

**Consumers are empowered with more and better information to make more appropriate decisions**  
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**Each consumer receives more tailored advertisements, more suited to his/her preferences or needs**  
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**Consumers receive more targeted promotions that translate into rebates and other benefits**

**The advantages of online advertising for consumers offset the possible costs driven by a loss of privacy or by the excess attention required**

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**Should you wish to do so, further and additional comments can be provided (max. 4,000 characters)**

Consumers have benefited greatly from the growth, increase in competition, and technological advances brought about by online advertising. It has funded countless innovative online services for consumers that are often offered free of charge, such as: social networks and media, email, information search and discovery services, maps, messaging, browsers, operating systems, video calling, digital assistants, music and video streaming, news services, podcasts, gaming apps, blogging etc. Many businesses have entered the digital marketplace successfully relying in whole or in part on advertising revenue, such as Google, Facebook, Twitter, SnapChat, Pinterest, LinkedIn, Reddit, Spotify, Zynga (Farmville), King Digital (Candy Crush). All of these services compete for user attention to attract advertiser spend and, in turn, fund their free user services with that advertiser spend. The emergence of ad-based online services has increased competition and choice across a wide range of sectors and markets.

Consumers also have benefitted from improvements to advertising formats and techniques. Improved targeting results in more relevant and useful ads for consumers. And the advent of native and video advertising formats has made those ads more interesting, engaging and viewable. Innovations such as YouTube's skippable video ads have improved the user experience by allowing users to skip ads after a few seconds while improving viewability. By making ads skippable, YouTube has also encouraged advertisers to make their ad creatives more engaging.

Google's number one priority is serving the user in the best way possible, including protecting their privacy. Focusing on the user experience is the only way for Google to remain successful in the marketplace. Maintaining the trust of our users and protecting their privacy is therefore central to how we design and build our products. We work to provide users choice, transparency, control, and security over their data. Our commitment to these issues is why we have developed industry-leading tools like Google Account, Download your data (formerly Takeout), Privacy Checkup, and Security Checkup.

Of course, there is always room for improvement. For example, ads shown on Google properties will start disclosing the factors used to target them to a particular user and the names of companies that intermediated the ad sale or placed ad trackers in the ad.

## **Specific problems of competition**

**The online advertising sector presents specific competition issues**

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**Access to data represents a barrier to entry of undertakings or to the growth of smaller ones**

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**In this sector, there is a problem of excessive concentration on a few undertakings**

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**Abrupt changes of terms of agreement by the main undertakings may occur in this sector**

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**The vertical integration of platforms, which act as intermediaries while at the same time rent advertising space as content creators and service providers, implies disadvantageous conditions for advertisers, such as tying and bundling of services or discriminatory treatment**

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**Should you wish to do so, further and additional comments can be provided (max. 4,000 characters)**

In Google's experience, online advertising is highly competitive. In selling ad space on our owned and operated properties, we compete for advertising dollars with many other online service providers, including general purpose search engines (e.g., Bing, Yahoo!); specialized search engines (e.g., Amazon and eBay for e-commerce, Expedia or Trabber for travel, or Tripadvisor or Yelp for local); social media (e.g, Facebook, LinkedIn, Snap, or Twitter); music streaming (e.g., Spotify); gaming apps (e.g, Farmville); and countless others.

Due to the convergence of online and offline worlds and advanced audience targeting technologies, online ad sellers like Google even increasingly compete directly for advertising dollars with traditional media, like TV, radio, print and outdoor. TV networks, for example, are launching products that can target audiences across different Internet-connected screens. While the sale of advertising space remains a differentiated marketplace, different ad formats thus have become substitutable from the perspective of advertisers and publishers. That is especially so because advertisers increasingly use sophisticated tools like demand side platforms and marketing mix optimisation software to compare price and performance of different ad formats and publishers and shift their spend from one to another.

Barriers to entry are relatively low in the sale of online advertising. Access to data, while valuable, has not been an entry barrier. The rapid success of former startups like Snap, Spotify, Pinterest and Twitch.tv (acquired by Amazon), and recent startups like Tik Tok, none of whom started off with any users or data, illustrates that. Each became successful by launching an innovative new service, which grew their user base and then attracted advertising spend, despite the existence of much larger, well-established competitors with lots of users and data. Most online providers collect lots of user data, as do many brick-and-mortar businesses (banks, credit card companies, telephone companies, airlines, retailers etc.).

Advertising technology and intermediation likewise is a dynamic and crowded marketplace with relatively low barriers to entry. It includes both large technology, telecommunications and cable companies, such as Google, Facebook, Amazon, Twitter, Microsoft, Oracle, Adobe, AT&T, Verizon and Comcast, and highly successful specialized providers, such as TheTradeDesk, MediaMath, Adform, Criteo, Rubicon Project, OpenX, Pubmatic, InMobi, Ironsource, Chartboost, Vungle, Applovin and many more. There has been significant entry and expansion, including by recent newcomers like Amazon, Verizon and AT&T. While user data is valuable in ad technology and intermediation services, it is not a barrier to entry. Many of the providers in this space have large-scale access to user data. Relatively specialized providers active in Spain like Criteo also have built up large user data sets, and user data is generally available to most through the use of

cookies or other tracking technologies, or data brokers.

Nor has vertical integration created barriers to entry or otherwise hindered competition. Several providers have pursued vertical integration, engaging both in the sale and intermediation of ad space, including not only technology companies like Facebook, Google, Amazon, and Microsoft, but also telecom and cable companies like AT&T (acquired Time Warner and AppNexus), Verizon (acquired AOL, Yahoo!, Millennial Media, Tumblr, Huffpo and more), and Comcast (acquired NBC Universal and FreeWheel). Yet, providers without a significant business of selling ad space on their own web properties, such as Oracle, Adobe, Criteo, TheTradeDesk, MediaMath, continue to be successful. Advertisers and publishers multi-home and mix and match across vertically integrated and specialized providers.