

**Statement of the Commission
Concerning Google/AdMob
FTC File No. 101-0031**

May 21, 2010

The Federal Trade Commission has voted 5-0 to close its investigation of Google's proposed acquisition of AdMob. The decision was a difficult one because the parties currently are the two leading mobile advertising networks, and the Commission was concerned about the loss of head-to-head competition between them. The Commission reached this decision based on important developments in the mobile advertising marketplace, particularly actions by Apple that should mitigate the anticompetitive effects of Google's AdMob acquisition.

Google and AdMob today are the leading competitors among mobile ad networks, which drive the availability of free or low-cost applications and content for smartphones and other mobile devices. Mobile ad networks "monetize" mobile publishers' content by selling publishers' advertising space; advertising revenues, in turn, fuel the development of mobile applications and Internet content. Mobile application developers and other publishers rely on mobile ad networks to sell advertising space that they cannot effectively sell on their own.

Google's proposed \$750 million acquisition of AdMob necessitated close scrutiny because the transaction appeared likely to lead to a substantial lessening of competition in violation of Section 7 of the Clayton Act. Those companies generate the most revenue among mobile advertising networks, and both companies are particularly strong in one segment of the market, namely performance ad networks.¹ The Commission's six-month investigation yielded evidence that each of the merging parties viewed the other as its primary competitor, and that each firm made business decisions in direct response to this perceived competitive threat.

During the investigation, Apple acquired the third largest mobile ad network, Quattro Wireless, in December 2009 and then introduced its own mobile advertising network, iAd, as part of its iPhone applications package. The Commission has reason to believe that Apple quickly will become a strong mobile advertising network competitor. Apple not only has extensive relationships with application developers and users, but also is able to offer targeted ads (heretofore a strength of AdMob) by leveraging proprietary user data gleaned from users of Apple mobile devices. Furthermore, Apple's ownership of the iPhone software development tools, and its control over the developers' license agreement, gives Apple the unique ability to define how competition among ad networks on the iPhone will occur and evolve.

¹ Both Google and AdMob focus their businesses on performance mobile ad networks, in which advertisers often buy ad space through auction rather than through sales relationships, and pay for the advertising on a "per click" or other direct response basis. Brand advertising, conversely, is typically paid for on a "per impression" basis, as the goal in brand advertising is to put the advertisement in front of the user, not necessarily to generate a click or other immediate action.

As a result of Apple's entry, AdMob's success to date on the iPhone platform is unlikely to be an accurate predictor of AdMob's competitive significance going forward, whether AdMob is owned by Google or not. This is particularly important given that AdMob's revenue and market share are derived largely from the iPhone platform.

AdMob also competes with Google in the sale of mobile advertising on Google's Android platform. Competitive harm from the acquisition appears unlikely there as well. Android and iPhone compete against each other as platforms, and the availability of free or low-cost applications helps drive that competition. Thus, Google has a strong incentive to encourage the development of applications on Android to maintain the competitiveness of Android against the iPhone. As discussed above, these applications are often made available to consumers in their current low- or no-cost form through advertising provided by mobile ad networks like AdMob. To the extent Google were to exercise market power on Android after this acquisition, it would risk making Android less competitive against the iPhone and other platforms.

Further, as has been reported in the financial press, a number of firms appear to be developing or acquiring smartphone platforms to better compete against Apple's iPhone and Google's Android. Because of the importance of advertising-supported content to the success of smartphone platforms, these firms would have a strong incentive to facilitate competition among mobile advertising networks, including through self-supply.

In sum, the Commission voted unanimously to close its investigation of Google's acquisition of AdMob because it lacked reason to believe that the transaction would likely result in a substantial lessening of competition, especially in light of marketplace developments that occurred during the course of its investigation, including Apple's acquisition of Quattro and its subsequent introduction of iAd. In any nascent market there will be uncertainty about the path of competition and the durability of early leads in market share. In order to fully protect consumers, however, the Commission must subject mergers in nascent markets to the same level of antitrust scrutiny as mergers in other markets, taking into account all relevant information that becomes available during the course of an investigation. Had the facts supported a challenge here, the Commission would not have hesitated to act to preserve competition in the mobile ad network market.

Though we have determined not to take action today, the Commission will continue to monitor the mobile marketplace to ensure a competitive environment and to protect the interests of consumers.