

Completed acquisition by Google Inc of BeatThatQuote

The OFT's decision on reference under section 22(1) given on 01 July 2011.
Full text of decision published 11 August 2011.

Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

PARTIES

1. **Google Inc (Google)** operates an internet search engine and provides online advertising space on its own and partner websites worldwide. Google also owns and operates a consumer finance price comparison site (PCS) called 'Google Comparison Ads' (GCA) in the US and the UK. It offers a limited number of financial products (in the UK, credit cards only). Google derives almost all of its revenue from supplying online advertising space. Its worldwide turnover in 2010 was some US\$29 billion; some £[] billion in the UK. In addition, GCA's revenues amounted to over £[] in the UK in 2010.
2. **BeatThatQuote.com Limited (BTQ)** was founded in 2005. It owns and operates a consumer finance PCS with a particular focus on mortgages and credit cards and its revenues come from supplying online advertising space. BTQ also supplies a 'white label' PCS platform, syndicating its price comparison technology to third parties (such as newspapers, supermarkets and other branded PCSs) that integrate price comparison functionality on their websites. BTQ's UK turnover in 2009/10 was around £[] million.

TRANSACTION

3. The completed acquisition of BTQ was announced on 7 March 2011. Google's notified the acquisition to the OFT on 8 April 2011. The OFT's administrative deadline is 23 June and its statutory deadline is 20 July.

JURISDICTION

4. As a result of this transaction Google and BTQ have ceased to be distinct.

5. Since BTQ's UK turnover for the financial year ending January 2010 was around £[] million, the transaction does not meet the jurisdictional turnover threshold set out in section 23(1)(b) of the Enterprise Act 2002 (the Act).
6. Google and BTQ (the parties) overlap in the supply of online advertising creating an estimated combined share of supply in the UK of around [30-40] percent, with an increment of less than [zero - five] per cent.¹ The share of supply test in section 23 of the Act is therefore met.
7. The OFT therefore believes that it is or may be the case that a relevant merger situation has been created pursuant to section 23 of the Act.

RATIONALE

8. Google told the OFT that its rationale for the acquisition is to speed up the growth of its own consumer finance PCS by benefiting from the large established network of consumer finance advertisers that BTQ has collected since its foundation in 2005.

MARKET DEFINITION

9. The parties overlap in the supply of consumer finance PCSs in the UK. Google also supplies internet search services and BTQ supplies 'white label' platforms to third parties. Google has also just developed a new consumer finance PCS platform which, at present, is at the 'beta' testing stage.
10. The OFT considers that consumer finance PCSs are two-sided products; that is, they are 'platforms' that intermediate between two distinct and unrelated types of customers, users seeking information/prices on products/services and advertisers looking to promote their products/services to users.
11. The value of a consumer finance PCS for each of the above two sets of customers will depend on the volume of customers on the other side. The number of customers on each side of the market therefore affects the profitability of the consumer finance PCS. This is an indirect network effect. The particular indirect network effect for a consumer finance PCS is that the better the selection of consumer finance products on—and ease of use of—the PCS, the more attractive the PCS will be for users. The more users that a consumer finance PCS attracts, the more easily the consumer

¹ Share of online advertising spend. Source: the parties and Warc/IAB Europe AdEx Report (September 2010).

finance PCS will be able to attract advertisers and the higher advertising fees will it be able to charge them. Consumer finance PCSs typically do not charge users, earning their revenue principally from advertising fees.²

12. As explained in the Merger Assessment Guidelines,³ market definition can be complicated in mergers involving two-sided products as:

'It may therefore be difficult to conduct a hypothetical monopolist test because: (i) there is no single price to both sets of customers to which to apply a SSNIP; (ii) the effect of a SSNIP on the demand of one set of customers may be exacerbated by indirect network effects; and (iii) the constraints on the merger firms' products may come not only from other two-sided intermediaries but also from 'one-sided' firms serving one set of customers.'⁴

13. In view of this, the following two sections discuss market definition for each side of the market. The next section considers whether the narrowest candidate market on the advertiser side in which the merged parties overlap—the supply of online advertising space on consumer finance PCSs—should be widened to include (i) overall online advertising space and (ii) all advertising space.
14. The following section looks at the supply of online search services that users use to reach consumer finance PCSs (and other websites). Market definition here is also relevant in assessing the non-horizontal effects of the merger.
15. The third section discusses market definition for 'white label' PCS technological platforms, which BTQ supplies to third parties.

SUPPLY OF ONLINE ADVERTISING SPACE ON CONSUMER FINANCE PCSs

Product scope

16. Google agrees that the narrowest market on the advertiser side in which the parties overlap is the supply of online advertising space on consumer finance PCSs. Both BTQ and, to a much lesser extent, Google through GCA, are active in this area. Consumer finance PCSs aggregate information on product and services provided by advertisers (such as financial services

² The fees of Google and BTQ are explained in paragraphs 16 and *ff.* below.

³ Merger Assessment Guidelines, a joint OFT/CC publication (OFT1254) September 2010.

⁴ See paragraph 5.2.20, second bullet.

providers) or by intermediaries (on the basis of data feeds⁵ from advertisers' websites).

17. PCSs supply information to users for free, with advertisers paying a fee in return for leads deriving from the inclusion of their products or services in the website's results.⁶
18. Third parties who responded to the OFT's information request suggested that online advertising on PCSs is a distinct segment. They indicated that it brings product advertising closer to the final point of purchase, meaning that once a consumer sees a personal finance product they are interested in, they can click on a link which takes them to the seller's site and purchasing point.
19. In previous decisions relating to internet search and online search advertising, the European Commission has considered whether any further segmentation, for example between search (for example, on Google's website) and non-search (for example, banner advertisements on other websites) online advertising, was appropriate but did not conclude on this.⁷
20. Consumer finance providers have told the OFT that a price rise in consumer finance PCS advertising might lead them to relocate their advertising budget to other advertising channels, such as internet search engines like Google. Consistent with this, in Google's view, the most appropriate market definition comprises at least all forms of online advertising without any further segmentation, including email marketing and proprietary⁸ and non-proprietary⁹ websites. In this regard, Google draws no distinction between advertising on consumer finance PCSs like BeatThatQuote and GCA (which are 'vertical' search engines) and advertising on other ('horizontal') search engines such as Google's own, Microsoft's Bing or

⁵ Also referred to as 'scrapped'.

⁶ 'Unpaid search results (also known as 'natural' search results) are displayed in a particular order that is determined by the search engines' algorithms.

⁷ See for example, Case COMP/M.5727- Microsoft/Yahoo! Search Business. Article 6(1)(b) decision of 15 January 2010.(Microsoft/Yahoo), paragraph 75. A further distinction between natural search results and paid search results is relevant to the user side of the market but not to the advertiser side, as natural search results are not advertisements. Natural search results display web-links to sites relevant to the user's search (navigational or non-navigational). Paid search results are the sponsored links that appear (on Google) above and to the right of the natural search results. PCSs do not return natural search results. This is discussed below.

⁸ The company's user-facing website, offering that company's products and/or services, such as capitalone.co.uk.

⁹ Websites where advertisements from advertisers are placed such as the result pages of search engines, online directories, online commerce sites, portal sites, social networking sites, etc. They can also be generic or contextual websites. Generic websites such as portal sites often cover a wide spectrum of topics, unlike 'contextual' websites which refer to specific subjects (such as consumer financial products).

Yahoo. (See further paragraph 29 *ff* below for more on this distinction from the user side.) Moreover, Google also submits that the relevant market on the advertiser side could be even wider and could include the supply of overall advertising space both offline (such as TV, radio, printed media and billboards) and online on the basis that:

- on- and offline advertising opportunities are converging, meaning that the two are increasingly substitutable
- switching between the two channels is increasing, with advertisers increasingly diverting spend from off- to online advertising
- advertisers adjust the proportion of spend dedicated to each channel according to the efficacy of these, by for example measuring the return on investment on each avenue
- the OFT has in past cases referred to the substitutability between the two channels¹⁰
- some notable market participants (such as Yahoo, ValueClick, 24/7 Media, The Guardian and News Corporation) recognise the substitutability between off- and online advertising, and
- both forms of advertising serve the same purpose, namely to raise awareness of the advertiser's brands and increase sales of its products and services.

21. Set against this, some third parties have told the OFT that vertical search engines (of which PCSs are a type) are different to horizontal search engines inasmuch as they present more targeted and relevant information to users, more readily facilitating a successful conclusion to commercial transactions. These specialised sites have already positioned themselves as a prime target for those ready to acquire a given product, they argue.¹¹

¹⁰ OFT, Completed acquisition by Dunfermline Press Ltd of the Berkshire Regional Newspapers business from Trinity Mirror Plc, Case ME/3315/07.

¹¹ See further paragraph 29 on vertical search engines.

22. Further, previous European Commission decisions (Google/DoubleClick¹² and Microsoft/Yahoo¹³) have concluded that off- and online advertising form separate markets.
23. Neither, in this regard, is OFT precedent consistent with Google's arguments.¹⁴ In its Dunfermline/Berkshire Trinity Mirror case, the OFT asked whether online advertising constrained offline advertising, not vice versa. In any event, the evidence available to the OFT in that case did not allow it to conclude definitively.
24. Moreover, the majority of third parties who responded to the OFT considered online advertising to be distinct from offline advertising. While suggesting that there may be a minor overlap between the two, they mostly thought that online advertising provided a more focused route for reaching customers. This allowed firms to target their advertising close to the point and time of purchase. It also facilitated better measurement of the efficacy of campaigns, such that these could be quickly and effectively re-targeted to improve returns on advertising.
25. In the light of the above, and on a cautious basis, the OFT has assessed the impact of the merger on the supply of advertising space on consumer finance PCs and in the supply of all online advertising (notwithstanding any interaction from the user side of the market). Given the OFT's findings, however, it has not needed to conclude whether the relevant market extends to the supply of all advertising.

Geographic scope

26. Previous European Commission decisions¹⁵ state that while on a technical level the geographic market might be EEA-wide, cultural and linguistic factors indicate that it may be more appropriate to define national geographic markets in the supply of online advertising space.
27. Google suggests that online advertising space is at least EEA-wide (if not worldwide), given the similarities in competitive conditions across Member States, the international reach of suppliers and the absence of national regulators. However it recognises that, because the provision of consumer

¹² Case COMP/M/4731- Google/DoubleClick. Article 8(1) decision of 11 March 2008. (Google/DoubleClick).

¹³ See footnote 7 above.

¹⁴ OFT decision of 4 February 2008 on the completed acquisition by Dunfermline of the Berkshire Local Newspapers from Trinity Mirror. (Dunfermline).

¹⁵ See Google/DoubleClick (footnote 12 above), paragraph 6.2.1; and, Microsoft/Yahoo (footnote 13 above), paragraph 93.

finance products is regulated at the national level, advertising of consumer finance products is most likely to be of interest to advertisers within the UK. It also notes that BTQ's consumer finance PCS is only active in the UK.

28. The OFT received no evidence that the geographic market may be wider than national. Therefore the OFT proceeds by assessing the merger on the basis of a UK-wide geographic market on the advertiser side.

SUPPLY OF INTERNET SEARCH SERVICES

Product scope

29. As well as GCA, which overlaps with BTQ in consumer finance PCS search (a type of 'vertical search') from a user's perspective, Google also operates the world's most popular general ('horizontal') internet search engine.¹⁶ General internet search engines display two types of results based on the key words used by users searching for information:
- unpaid search results which are sometimes referred to as 'natural' search results and are displayed in a particular order that is determined by an algorithm, and
 - paid search results, also referred to as sponsored links, the position of which is determined (in Google's case) by the relevance of the advertisement to the user's query and the advertiser's willingness to pay per user click.
30. Google argues that it is very difficult to define a product market for internet search at all—let alone separately for vertical or horizontal search, or natural or paid search—as '[c]onsumers use a wide range of methods to search for information, including expert advice, social networking, generic and subject specific online search services and offline directories.'¹⁷
31. The European Commission stated in Microsoft/Yahoo,¹⁸ that '[g]eneral [horizontal] internet search must be distinguished from vertical internet search, which focuses on specific segments of online content such as legal, medical, or travel search engines. Contrary to general internet search

¹⁶ A vertical search engine searches a specific industry, topic, type of content (eg travel), piece of data, geographical location, and so on. Examples include Google Scholar (a vertical search engine for academic research) and Yahoo Stock Screener (a vertical search engine for stocks and shares).

¹⁷ See Google's submission to the OFT of April, 8, 2011, paragraph 18, page 11.

¹⁸ See footnote 13 above, paragraph 3.

engines, which index large portions of the internet through a web crawler¹⁹, vertical search engines typically use a focused crawler that indexes only web pages that are relevant to a pre-defined topic or set of topics.²⁰ The EC has also considered it necessary to distinguish internet search from site search covering only the content of one particular website, such as social websites Facebook or My Space.' In this regard, third parties also submitted that the OFT should distinguish between horizontal and vertical search on the basis that vertical search produces more relevant results from the user's perspective.

32. Lastly, third parties told the OFT that it is appropriate to distinguish natural and paid horizontal search on the basis that results are presently differently for users.²¹ That said, PCSs do not return natural search results, so there is no overlap between Google and BTQ in natural horizontal search.
33. On the basis of the above, and notwithstanding any interaction from the advertiser side of the market, the OFT has considered the effect of the merger on the user side separately for consumer finance PCSs (rather than the wider candidate markets of vertical search or all search). To the extent that the distinction between natural horizontal search and paid horizontal search is relevant (for users or advertisers), this is addressed in the vertical effects section below.

Geographic scope

34. Consistent with its view that it is difficult to define a product market for search, Google considers it difficult to define a geographic market. On the whole, third parties told the OFT that Google's market share would be very significant however the geographic market is defined.
35. The European Commission considered that '[t]he geographic scope of a potential market for internet search could potentially be wider than national or linguistic markets because the largest search engines like Google, Yahoo or Microsoft operate on a global basis. Those engines strive to index the whole internet and are accessible from anywhere in the world. Nevertheless, seen from the demand since, many users require access to a

¹⁹ A web crawler is a software application that downloads web pages. See Microsoft/Yahoo (footnote 13 above), footnote 10, page 7.

²⁰ See Microsoft/Yahoo (footnote 13 above), paragraph 31.

²¹ Third parties also told the OFT that natural search and paid search are subject to different financial arrangements from the perspective of content owners (for example, websites) inasmuch as natural search web-links are free whereas sponsored links are paid for by advertisers. This distinction is not relevant from a user's perspective, however.

search engine and to results in their own language.²²

36. On the basis of the above, whilst not concluding on this point, the OFT has taken a cautious approach and considered the impact of this merger on the narrowest plausible geographic scope, that is the supply to users of online search services in the UK.

SUPPLY OF 'WHITE LABEL' PCS TECHNICAL PLATFORMS

37. BTQ supplies its PCS technology to third parties that wish to integrate price comparison advertising functionality on their websites ('white label' business). BTQ's syndication partners include newspapers and retailers. Google is a licensee of consumer finance PCS technology and has also just developed its own PCS technical platform for a UK price comparison advertising services specialised in mortgages products.²³
38. The provision of white label PCS platforms operates on the basis of revenue sharing agreements between licensor and licensee. Google submitted that it is possible for sites to provide a mixture of licensed and proprietary platforms (that is, developed by the site), with the latter allowing the provider greater ability to differentiate its PCS offering, while capturing the entirety of revenues generated from advertisers.²⁴ Furthermore, Google suggested that it was commonplace for PCSs to license the technology from more than one provider.²⁵
39. The OFT notes that licensees of white label PCS technology operate in the downstream PCS market, thereby competing for both user-traffic and advertising revenue from personal finance product providers with other consumer finance PCSs, including BTQ and (to a lesser degree) Google's GCA platform. Therefore PCSs who licence the underlying technology through white-label agreements operate in the market for the supply of advertising space on consumer finance PCSs.
40. Given that licensees of PCS technical platforms may also develop their own PCS technology, the OFT concludes that the competitive conditions in the market for the supply of white-label PCS platforms are related to the

²² See Microsoft/Yahoo (footnote 13above), paragraphs 96-98. The European Commission eventually did not need to conclude on the exact geographic scope of a potential market for internet search.

²³ This is currently only in beta testing format.

²⁴ For example, while BTQ owns its PCS platform technology, which it also licences to a range of sites, it licences the use of the [] PCS platform.

²⁵ For example [], one of BTQ's white label PCS customers also licences PCS technology from The Hut.

prevailing competitive conditions in the market for the supply of advertising space on consumer finance PCSs.

41. Therefore, following lines of arguments presented in the section on market definition for the supply of PCS advertising space, the OFT has assessed the impact of this merger taking a cautious approach on the basis of a UK-wide market for the supply of 'white label' PCS technical platforms to third parties.

CONCLUSION ON MARKET DEFINITION

42. In summary, without concluding on the precise relevant market definition for this case, the OFT has taken a cautious approach and has assessed the effect of this transaction by looking at its impact on:

- the supply of online advertising space on consumer finance PCSs in the UK
- the supply of overall online advertising space in the UK
- the supply of consumer finance PCS search to users in the UK and
- the supply of 'white label' PCS technical platforms in the UK.

COMPETITIVE ASSESSMENT

43. This case raises horizontal and vertical issues. At the horizontal level, the OFT has assessed the effect of the merger:

- on the loss of actual competition in the supply of online advertising space on consumer finance PCSs and in the supply of overall online advertising space in the UK
- on the loss of actual competition in the supply of consumer finance PCS search services to users in the UK, and
- on the loss of actual or potential competition in the supply of 'white label' PCS technology in the UK.

44. As to vertical concerns, the OFT has assessed whether the merger gives Google/BTQ the ability and incentive to totally or partially foreclose traffic from natural search results and sponsored links (paid search results) to rival consumer finance PCSs, and the effects of any such foreclosure.

HORIZONTAL ISSUES

Supply of online advertising space on consumer finance PCSs in the UK

45. On the advertiser side, Table 1 below shows Google's estimates of the parties' market shares, as well as those of their competitors. These shares were corroborated (qualitatively, if not quantitatively) by several third parties.

Table 1: Supply of advertising space on consumer finance PCSs in the UK (2009)

Competitor	Advertising revenues (£m)	Share (per cent)
BTQ	[]	[0-10]
Google	[]	[Less than 1]
Combined	[]	[0-10]
Money Supermarket	[]	[40-50]
Go Compare	[]	[10-20]
Confused	[]	[0-10]
Compare The Market	[]	[0-10]
USwitch	[]	[0-10]
LoveMoney (Motley Fool)	[]	[0-10]
Money Extra	[]	[0-10]
Money Expert	[]	[0-10]
Tesco Compare	[]	[0-10]
Total	[]	100

Source: Google's estimates based on from Experian Hitwise data, quoted in the 2009 Money Supermarket annual report of December 2009

46. The parties' combined market share of [0-10] per cent (increment from Google of [less than one] per cent) is not at a level that would ordinarily give the OFT cause for concern over unilateral effects, provided that the market is drawn narrowly.
47. Consistent with this, Google told the OFT that the merger was unlikely to raise a realistic prospect of a substantial lessening of competition (SLC) through unilateral effects in this candidate market because:
- post-merger a significant number of larger consumer finance PCSs would remain (including the market leader, Money Supermarket, with an estimated [40-50] per cent market share) with the four largest providers together accounting for 80 per cent of the market
 - overlaps between the parties are minimal. BTQ compares the prices of a range of consumer finance products, whereas GCA currently only covers credit cards

- competitors are well funded and active in other areas such as insurance provision
 - advertisers of consumer finance products list their products on several sites concurrently.²⁶ Switching by advertisers can also occur relatively quickly and at low cost, estimated by the parties to be within one week and at a cost of between £3,000 and £5,000, and
 - barriers to entry in the PCS market are relatively low, as evidenced by the large numbers of new entrants in this sector over the past five years, including firms which have achieved significant market share such as GoCompare and CompareTheMarket.
48. Third party comments corroborate Google's view and no third party identified BTQ as a significant competitor. No third parties raised any concerns over the addition of Google's GCA to BTQ's market share in the supply of advertising space on consumer finance PCSs.
49. On the basis of the above, and notwithstanding any constraint from the user side of the market, the OFT does not consider that the merger gives rise to a realistic prospect of an SLC on the basis of horizontal unilateral effects in the supply of online advertising space on consumer finance PCSs in the UK.

Supply of consumer finance PCS search services to users in the UK

50. Given that Google's estimates of market shares on the advertiser side (discussed above) are based upon user access data, the OFT considers them a fair representation of market shares on the user side. Again, the parties' combined market share is not at a level that would ordinarily give the OFT cause for concern over unilateral effects, provided that the market is drawn narrowly.
51. In addition to its arguments on the advertiser-side, Google also submitted that end-users of consumer finance PCSs often multi-home. The parties cited evidence suggesting that 79 per cent of users who had browsed, bought or considered buying financial products through PCSs typically use two or more sites.²⁷ Google told the OFT that this indicated that user switching costs are low.
52. The OFT notes that in a recent update to Google's natural search algorithm, which Google said was to prevent artificial manipulation of natural search, BTQ was relegated to the sixth Google online natural search

²⁶ In the language of multi-side products like PCSs, this is known as 'multi-homing'.

²⁷ YouGov, Comparison Check, March 2010.

results page denoting its limited public recognition. This is particularly relevant in the UK, where consumer finance PCS brand recognition is very significant following substantial marketing campaigns (in the guise of, for example, Gio Compario (giocompario.com) for Go Compare and Aleksandr Orlov (comparethemarket.com) for Compare The Market). In addition, the OFT also notes the entry of significant UK brands such as Tesco in this market.

53. Some third parties told the OFT that it should assess this transaction in a putative market for the supply of vertical search to users (a candidate market wider than consumer finance PCS search but narrower than all search). Consumer finance and travel PCS search are the two most significant segments of this, third parties said. Third parties pointed to Google's recent US acquisition of ITA Software (maker of flight information software used to power airfare vertical search engines) as evidence of Google's intention to expand in vertical search.
54. The OFT was unable to estimate the parties' combined market share on this candidate market. That said, and given that this is a wider candidate market than consumer finance PCS search only, the OFT received no evidence to suggest that the market shares above would underestimate the shares of GCA and BTQ in this candidate market. Further, the OFT received no evidence that BTQ and GCA were closer competitors in vertical search generally than in consumer finance PCS search.
55. On the basis of the above, and notwithstanding any constraint from the advertiser side of the market, the OFT does not consider that the merger gives rise to a realistic prospect of an SLC on the basis of horizontal unilateral effects in the supply of consumer finance PCS search services to users in the UK.

Supply of overall online advertising space in the UK

56. In the overall supply of online advertising space in the UK, the parties have an estimated combined market share of around [30-40] per cent. This is almost all attributable to Google with a negligible increment ([less than 1] per cent) from BTQ (see Table 2 below). These shares were corroborated (qualitatively, if not quantitatively) by several third parties.

Table 2: Supply of online advertising space in the UK (2009)

Competitor	Advertising revenues (£m)	Share (per cent)
Google	[]	[30-40]
BTQ	[]	[less than 1]
Combined	[]	[30-40]
Others	[]	[60-70]
Total	[]	100

Source: Google based on data from Warc/IAB Europe AdEx report (September 2010)

57. Provided that the market is appropriately narrow, this market share and increment are not at a level that would ordinarily give the OFT cause for concern over unilateral effects, unless Google and BTQ were particularly close competitors.
58. In this regard, Google submits that it and BTQ are not close competitors and that the merger does not give rise to the realistic prospect of an SLC in relation to the supply of online advertising space in the UK for the following reasons:
- several other suppliers would continue to offer competing options to advertisers, either in proprietary and non-proprietary websites such as web portals (AOL, for example), search services (Ask, for example), social networking sites (Facebook, for example) and online commerce sites (Amazon, for example)
 - suppliers of online advertising are constrained by new and expanding entrants, such as the entry by suppliers of mobile advertising and
 - the emergence of new technologies offers new opportunities to market participants, such as the use of location-based advertising (whereby advertising is targeted depending on the user's location) or online re-targeting technologies, which allow online companies to deliver marketing messages, even after they have left a particular online store.
59. Consistent with this, third parties did not raise any concerns with the OFT in respect of the addition of BTQ's market share to Google's in the overall provision of online advertising in the UK.
60. On the basis of the above, and notwithstanding any constraint from the user side of the market, the OFT does not consider that the merger gives rise to a realistic prospect of an SLC on the basis of horizontal unilateral effects in the supply of all online advertising in the UK.

The loss of actual competition or of a potential entrant in the supply of 'white label' PCS technical platforms to third parties in the UK

61. BTQ supplies white label PCS technology to third parties. Google does not presently supply such technology to third parties but has recently developed its own PCS technology, which it is testing (in 'beta' form). On this basis, the level of actual competition between the merging parties in the supply of white label PCS platforms is negligible. No third party has raised any concerns regarding this matter during this investigation.
62. The OFT generally adopts the pre-merger situation as the counterfactual against which to assess the impact of the merger. However, the OFT will assess the merger against an alternative counterfactual where, based on the evidence available to it, it considers that there is a realistic prospect of a counterfactual that is more competitive than the pre-merger situation.²⁸ In this case, that more competitive counterfactual may involve entry by Google, in which case the merger may involve the loss of any subsequent competition between Google and BTQ.
63. The OFT recognises that theories of harm based upon loss of potential entry are easy to allege but hard to rebut. Mindful of this, the OFT has not needed to conclude on the likelihood of a more competitive counterfactual than the pre-merger situation because—even under a more competitive counterfactual—the OFT does not consider that the merger gives rise to competition concerns.
64. In this regard, several PCS competitors told the OFT that they owned their own PCS technology and some of them confirmed that they also supply this to other third parties. Moreover, several of those competitors submitted that the technology is relatively simple to create and not costly to replicate. In addition, the OFT was not presented with any evidence indicating that this situation would change as a result of this merger.²⁹
65. The majority of BTQ's customers for its PCS technology platform who spoke to the OFT confirmed that they have several alternative suppliers from which they could easily procure. They were also confident that they would be able to resist price rises as they could and would look for alternative suppliers if any price rise or quality decline occurred.

²⁸ Merger Assessment Guidelines, paragraph 4.3.5.

²⁹ In particular, and in view of the discussion of vertical effects below, the OFT received no evidence (nor complaints) that the merger may give Google the ability or incentive to foreclose access to white label technology to rival consumer finance PCSs.

66. In light of the above, the OFT does not believe that this merger gives rise to the realistic prospect of an SLC in the supply of white label PCS platform technology.

VERTICAL ISSUES

67. BTQ and other rival consumer finance PCSs appear on Google's general search engine results. This is an important source of user traffic to consumer finance PCSs, in terms of navigational or non navigational search and in terms of paid search (sponsored links) or unpaid (natural) search.

- For unpaid (natural) search, there is no commercial relationship between the parties or between Google and any other rival consumer finance PCS. Google does not accept (and, Google submits, has never accepted) payment in return for listing any company in its natural search results.
- For paid search (sponsored links), Google provides online advertising space and displays relevant advertisements in response to search queries. BTQ and other consumer finance PCSs pay Google for advertising space through an auction process (known as AdWords³⁰).

Vertical theories of harm

68. These vertical links have given rise to four theories of harm raised by third parties. Two concern the possible manipulation of paid search results to increase rival PCS competitors' costs. Two concern the possible manipulation of unpaid search results to demote rival PCSs and/or improve BTQ's ranking. In turn, this may also require rivals to increase their advertising expenditure in paid search.

Paid results (sponsored links)

69. For paid search (sponsored links), third parties told the OFT that Google could inflate the prices that other consumer finance PCSs must pay to be ranked above Google's own PCS business for specific keywords, by raising the maximum 'cost per click' (CPC) its PCS business pays for these keywords.³¹ Third parties said that the same aim could be achieved by

³⁰ See footnote 31 below.

³¹ A website's ranking on Google's advertised search results depends on the maximum CPC the advertiser is willing to pay for specific keywords and the site's Quality Score, and is ultimately calculated by AdWords.

Google artificially lowering the Quality Score³² of a competing consumer finance PCS. Additionally or alternatively, third parties suggested that Google could artificially raise the Quality Score of BTQ, which would make it cheaper for BTQ to advertise on Google, moving it up the rankings.

70. Third parties told the OFT that this distorts competition in the upstream market for the provision of online search services (the user side) and overall online advertising (the advertiser side) as well as in the downstream market for the provision of online advertising space on consumer finance PCSs (the advertiser side). The increased cost of advertising brought about by BTQ would, it is argued, drive prices up and force rival consumer finance PCSs to exit the market. This would leave BTQ with fewer competitors which in turn would lead to higher prices (or less choice) for users.

Unpaid (natural) results

71. For unpaid (natural) search results, third parties told the OFT that following the merger, Google could manipulate its unpaid (natural) search results in order to promote BTQ at the expense of other consumer finance PCSs. Google could achieve this in two ways, they said.
72. First, Google could increase its use of exclusionary automated systems to downgrade other websites. Google could also manipulate its algorithm to lower the rankings of rival consumer finance PCSs. In support, third parties stated that unexplained shifts in natural search rankings occurred frequently, citing examples of these shifts following alterations to Google's algorithms or manual (and site-specific) interventions by Google. For example, third parties mentioned Google's Panda update of Spring 2011 in this regard. Similarly, Google could apply different algorithms and relevance criteria to its own services, one third party said. It told the OFT that Google already operates a system called 'Universal Search', which automatically inserts its own services in prominent positions within its search results.
73. Second, alternatively or additionally, Google could artificially bid for advertising space leading to price rises. Third parties told the OFT that the merged entity could bid up prices for important search terms such as 'car insurance', by having an active consumer finance PCS (BTQ) participate in the bidding process. This could be damaging as the merged firm could also bid on rivals' brand names, thereby raising the costs of advertising for the

³² A website's Quality Score is one of the determinants of the amount that PCS sites pay Google to advertise on its search engine results. See section B.1.1 of the 'Online markets discussion paper'.

brand name's owner. Third parties suggested that the merged entity would be sufficiently well-financed that this strategy could persist almost indefinitely, not least given that additional revenue is simply diverted from the downstream to the upstream divisions of the merged firm (that is, BTQ pays Google for the additional advertising), meaning this strategy may effectively be costless.

74. In particular, one third party thought that such a strategy by BTQ could be facilitated by Google's access to commercially sensitive information regarding the marketing and bidding strategies of rival consumer finance PCs. This could happen, for example, by identifying which competitors are advertising on certain keywords and their expenditure in relation to these keywords, it said.

General comments

75. The OFT notes that the merger leads to very little increment at any horizontal level, regardless of the candidate market considered. In that sense, the merger is largely vertical in nature. Vertical mergers do not involve a direct loss of competition between firms in the same market and it is a well established principle that most are benign.³³ Indeed, vertical mergers may lead to pro-competitive efficiencies.³⁴
76. That said, the OFT frames its analysis of potential vertical effects by asking:
- (i) whether the merged firm would have the ability to harm rivals
 - (ii) whether it would be profitable for it to do so (that is, whether the merger gives the merged firm the incentive to do so), and
 - (iii) whether the effect of any such action would be sufficient to reduce competition to the extent that it gives rise to a realistic prospect of an SLC.³⁵

In practice, the analysis of these questions may overlap and factors affecting one may also affect others. So as to reach an SLC finding, all three questions must be answered in the affirmative.

³³ Merger Assessment Guidelines, paragraph 5.6.1

³⁴ Merger Assessment Guidelines, paragraphs 5.7.8 to 5.7.12.

³⁵ Merger Assessment Guidelines, paragraph 5.6.6.

77. Further, in certain situations, vertical effects may involve behaviour that is unlawful under competition law. In assessing how this might impact on the incentive (point (ii) above) to carry out the behaviour in question, the OFT may take into account (i) whether the behaviour would be clearly, or highly probably, unlawful, (ii) whether the behaviour would be likely to be detected and (iii) the potential consequences of such behaviour (in terms of enforcement actions, for example). In this regard the OFT is aware of the antitrust investigations of Google being currently undertaken in some jurisdictions. The OFT views the fact that these investigations are taking place as stressing the deterrent effect of antitrust legislation.³⁶
78. Against this background, below the OFT considers how any changes resulting from this merger affects Google's ability and incentive to engage in input foreclosure of the type discussed above, and the effects of any such foreclosure on advertisers and users.

Ability

79. In assessing the ability of the merged firm to engage in input foreclosure, the OFT may consider:³⁷
- the cost of the input relative to the output. All else equal, if the input represents only a small proportion of the total cost of the output, then foreclosure is less likely and
 - the extent to which rivals can avoid a price increase by switching away from the input. If rivals can turn to many good substitutes for the input, then foreclosure is less likely.
80. In the present case, this translates as:
- the importance of Google paid search (sponsored links) and unpaid (natural) search as a source of traffic to consumer finance PCs, and
 - the extent to which rival consumer finance PCs could switch away from Google.
81. Both are considered below in the light of evidence from (i) traffic data, (ii) examples of variations in the Google rankings of PCs and (iii) market shares as a proxy for the importance of Google as a source of traffic and

³⁶ Merger Assessment Guidelines, paragraph 5.6.14.

³⁷ Merger Assessment Guidelines, paragraph 5.6.10.

the extent to which rival PCSs could switch away from it.

The importance of Google as a source of traffic and the extent to which rival PCSs could switch away from it.

Traffic data

82. Google told the OFT that rival PCSs do not rely on it as a source of traffic. It submitted to the OFT that users access PCSs in a variety of ways including direct access, via a referral site or email, or by searching for a specific consumer finance PCS brand name in an online search engine (that is, navigational search using the search engine simply as a shortcut to a specific site).
83. In support, the parties provided the OFT with internal analysis showing that in 2010, around [20-30] percent of the traffic to consumer finance PCSs was visits resulting from natural or paid searches on Google for generic search terms (that is, searches that did not include the brand name of a specific website). Google therefore argued that input foreclosure would not be possible, since at most only [20-30] per cent of traffic to consumer finance PCSs could be affected.
84. In contrast, third parties told the OFT that they rely heavily on Google for a significant proportion of traffic and that the merged entity would have the ability to divert a significant proportion of this traffic to BTQ. They supplied data to the OFT which showed that the proportion of traffic to several major PCS providers and to one smaller one via Google in 2010 was between [40-50] and [50-60] per cent.
85. Further the OFT's analysis of 2010 traffic data aggregated from four UK market participants accounting for the great majority of PCS business (summarised in Figure 1 below) suggests:
 - [20-30] per cent of traffic came from Google specific (that is, named PCS brand) paid search
 - [five-15] per cent came from Google generic natural search
 - [10-20] per cent came from Google generic paid search, and
 - [0-10] per cent came from Google specific natural search.
86. Although the OFT's analysis suggests that—consistent with Google's arguments—[20-30] per cent of PCS traffic in 2010 resulted from natural or paid generic search on Google, a further [25-35] per cent resulted from natural or paid specific (named PCS brand) search.

[]

87. In response, Google submitted that traffic from paid or natural specific search is of less relevance to a potential foreclosure theory of harm as PCS providers do not rely on Google to raise awareness of their websites and services. In support, Google provided data showing that there is a high proportion of direct-to-site traffic to PCSs. Consistent with this, the OFT's analysis (see Figure 1) indicates that [40-50] per cent of traffic was direct-to-PCS in 2010. Google told the OFT that PCS companies had developed strong brands by advertising through multiple media outlets, including outdoor advertising, TV and radio, printed press and other online formats (such as email marketing). Google cited research which suggested that for the major PCS providers, between 75 percent and 92 percent of advertising spend went towards TV advertising.³⁸
88. While the majority of third-party respondents confirmed that other types of advertising were key to building brand awareness, they also broadly suggested that advertising on Google was a key input for consumer finance PCSs. Third parties generally viewed advertising on other search engines as an ineffective substitute since these did not offer the reach of Google's product.

Examples of variations in the Google ranking of PCSs

89. Third parties contacted by the OFT cited examples of variations in the rankings of price comparison sites as evidence of Google's ability to alter rankings and as such to potentially foreclose PCS rivals. In particular:
- variations in rankings as a result of changes to Google's algorithms, such as the 'May Day' alteration, which occurred in May 2010
 - unexplained and frequent variations in rankings for particular keywords such as 'car insurance', which form a key source of traffic, and
 - variations in rankings as a result of Google manually altering the rankings of particular websites, such as the 'downgrade' of BTQ itself in March 2011.³⁹

³⁸ Nielsen, Sector study: Price comparison sites, 2011. Cited in Google's submission to the OFT of 8 April 2011.

³⁹ In their response to OFT queries in relation to this alteration in the ranking of BTQ, the parties told the OFT that the downgrade was due to concerns that Google had in relation to suspected manipulation of results, through the use of paid links. The parties told the OFT that Google took

90. These third parties told the OFT that the effect on visitor traffic (and as a result revenues) from a drop in ranking for a particular keyword on Google can be significant. A third party estimated that falling from the first to the fifth page in Google's results could result in a fall in average weekly traffic of around [70-80] per cent. Another third party suggested that falling from first place to between fourth and eighth place for the generic search term 'car insurance' caused visitor numbers to fall by an average of [70-80] percent.
91. In response, Google told the OFT that its automated search algorithm employs links-based analysis (amongst other tools) to assess the number and quality of links to a particular website from other sites. The quality and number of links to a particular site is one of the factors which determines the position of a that site on Google's search results. Google told the OFT that this approach ensures that third parties could not manipulate results on its search engine, by for example paying for links to their website located on other sites. Furthermore this meant that the display of the results on its search engine was based on actual 'site quality' and as such determined by end-user preferences, resulting in results which are relevant to their searches.
92. That said, Google agreed that it regularly updates its search algorithm to prevent the paid links distorting the relevance of its results. In certain situations [], its 'Webspam' team would manually adjust the ranking of specific sites, reflecting their ranking excluding the paid links on external sites, it said.

Market share

93. Lastly, the OFT notes that the proportion of traffic to UK consumer finance PCSs accounted for by Google (see Figure 1)—which the OFT considers a reasonable proxy for the degree of upstream market power that Google might have in respect of its potential ability to foreclose—exceeds the 30 per cent threshold below which vertical mergers will not often give the OFT cause for concern over foreclosure.⁴⁰

action that led to its underlying search algorithms not taking these links into account in its rankings. [].

⁴⁰ Merger Assessment Guidelines, paragraph 5.3.5, first bullet.

Conclusion on ability

94. On balance and on a cautious basis, the OFT believes that Google may have the ability to foreclose consumer finance PCSs given that:
- there is evidence to suggest that Google is an important source of traffic that rival PCSs may not easily be able to switch away from
 - there are examples of alterations in the ranking in Google's results of consumer finance PCSs and evidence that these materially affect traffic to the sites and
 - Google accounts for a share of traffic to consumer finance PCSs in excess of the 30 per cent threshold below which vertical mergers will not often give the OFT cause for concern over foreclosure.

Incentive

95. Google submitted that it did not have the incentive to foreclose rival consumer finance PCSs and that the merger with BTQ had not changed this. In support, Google referred to financial and reputational factors.
96. It said that a foreclosure strategy would risk undermining Google's business model, which relies on its ability to provide relevant natural and paid results. Google submitted that users could costlessly and easily switch to alternative search engines if the search results they find are not as relevant as possible. Google further submitted evidence⁴¹ suggesting that '72 percent of heavy internet searchers in the UK used more than three different search engines in one month' as proof that deviation from its core strategy of delivering relevant results would be costly in terms of usage and ultimately market share. Google also told the OFT that the AdWords revenues depended heavily on relevance, since the more relevant were results to a user's query, the more likely were they to click on the results and as such generate revenues for Google.⁴²
97. It submitted analyses of several hypothetical foreclosure strategies, which assessed the effects of such strategies on the market share of the merged firm⁴³ This analysis showed that even under the most extreme foreclosure strategy, whereby the merged firm would eliminate all non-navigational

⁴¹ J. Cheng, Nielsen: Fickle search engine users could benefit Bing, *Ars Technica*, 02 June 2009.

⁴² PCS providers pay search engine providers such as Google a fee on the basis of a cost per click (CPC) model.

⁴³ RBB Economics report titled 'Hypothetical Exclusion of Consumer Finance PCS from Paid Links', 31 May 2011. Submitted to the OFT by Google Inc on 31 May 2011.

traffic (that is traffic not specifically requesting a branded website) to the four largest consumer finance PCSs, Google/BTQ's consumer finance PCS market share would stand at only [20-30] per cent and it would still face competition from several other providers, including a larger and established PCS competitor with [30-40] percent market share. This would be insufficient to recoup losses from foreclosure, it said, and in any event could not be considered an anticompetitive effect.

98. In assessing whether the merger gives the merged firm the incentive to foreclose, the OFT may consider:⁴⁴
- the loss of profit in the upstream market. This will be greater if competition upstream is intense, reducing the incentive to foreclose
 - the gain in profit in the downstream market. This will be less if (a) customers do not react strongly to changes in price downstream and (b) the diversion ratio from downstream rivals to the merged firm is low, reducing the incentive to foreclose, and
 - relative variable profit margins upstream and downstream. If these are higher upstream than downstream, then the negative impact on profit upstream may exceed the positive impact on profit downstream, reducing the incentive to foreclose.

These are considered below.

Loss of profit upstream

99. Google said that any foreclosure strategy would be particularly damaging to its upstream profits if it focused on paid search results, for two reasons. First, any foreclosure strategy could lead to fewer bidders competing in the AdWords auctions for particular keywords, which would serve to lower the ultimate price paid by consumer finance PCSs. Second, users could circumvent any such foreclosure strategy by accessing their preferred consumer finance PCS in other ways, not least through Google's natural search results.

Gain in profit downstream

100. Google suggested that, in the light of the differences in variable profit margins discussed below, the merged firm would not have the incentive

⁴⁴ Merger Assessment Guidelines, paragraph 5.6.11.

to foreclose unless it enjoyed a [120-130] per cent diversion ratio from rival consumer finance PCSs to Google/BTQ. Employing current market shares as a proxy for diversion ratios,⁴⁵ the parties told the OFT that the merged firm could expect to enjoy at best a [0-10] per cent diversion ratio to it.

Relative profit margins upstream and downstream

101. Google told the OFT that the merged entity would suffer greater losses in the upstream market than gains in the downstream PCS market, since upstream variable profit margins are higher than downstream ones. It told the OFT that the CPC paid by BTQ and four leading PCS providers to Google was between £[] during the course of 2010. The parties also estimated⁴⁶ that BTQ's average revenue on a one-year time horizon from a single unit of traffic is approximately £[]. Given that variable costs are virtually zero both upstream and downstream, Google said that these differences reflected differences in variable profit margins.

OFT assessment

102. In assessing the competitive effects of a merger, the OFT compares the prospects for competition with the merger against the competitive situation without it.⁴⁷ When the increment to any existing market share is minimal, it is unlikely that the change to any existing market power is substantial (in the absence of any other external factors).
103. In this case, the OFT notes that Google is acquiring a very small consumer finance PCS competitor (BTQ) to add to GCA's [less than 1] per cent share in the supply of advertising space on consumer finance PCSs in the UK. In the light of Google's stated rationale for the merger (see paragraph 8), with an estimated combined share below [0-10] per cent, Google will need to grow organically in the supply of advertising space on consumer finance PCSs before it reaches any significant scale. Consistent with this, to the OFT the main asset that Google appears to be acquiring is access to an extensive portfolio of consumer finance advertisers' contact details. But this asset is not exclusive to Google and the merger

⁴⁵ And assuming, on a worst case basis (from Google's perspective), no diversion at all outside the market (tantamount to assuming zero market elasticity).

⁴⁶ Allowing for the fact that the user may return to the site directly or that the consumer acquisition may be through a different channel than AdWords, thereby circumventing the CPC payable to Google.

⁴⁷ Merger Assessment Guidelines, paragraph 4.3.1.

does not prevent these sophisticated advertisers from satisfying their advertising requirements with other rival consumer finance PCSs.

104. That said and contrary to paragraphs 99-100 above, the OFT considers that there are reasons to regard the parties' analysis as underestimating Google's incentives to foreclose because it does not take into account that a significant proportion of traffic to consumer finance PCS sites (41 per cent on average for the sample of third party responses the OFT received⁴⁸) does not incur the upstream CPC payment to search engine operators. As such, any foreclosure which serves to divert traffic to the downstream PCS arm of the merged firm would benefit from a 'costless' (in upstream margins) rise in downstream profitability.
105. Set against this, on the basis of the evidence available to the OFT a proportion of consumer finance PCS users who cannot find their desired consumer finance provider in the merged firm's search results are likely to divert to alternative routes (such as accessing through natural search results or going direct-to-site). If so, then the merged firm would potentially lose profit upstream without gaining any downstream, especially considering BTQ's low brand recognition in comparison to (say) Compare The Market or Go Compare.
106. Moreover, the evidence available to the OFT suggests that a proportion of consumer finance providers who advertise on PCSs may divert spend to alternative media. While several third parties told the OFT that the PCS channel was key to the marketing strategies of personal finance providers, they also suggested that they would likely resist any proposed price rises and consider diverting spend to other avenues (such as own proprietary websites or email advertising). Further, consumer finance PCS providers may divert a proportion of their advertising budget from Google AdWords to other channels outside the narrowest candidate market, seeking to improve brand awareness and visibility.

Conclusion on incentive

107. In the light of the above and on the basis of purely financial arguments, the merger does not appear to enhance any incentive that Google may have had pre-merger to foreclose.
108. Google further argues that any decline in the internet search service it currently provides would have a significant knock-on effect on its

⁴⁸ These responses represent [over 70] per cent of the candidate market.

reputation and its commercial position. Therefore, it said, the mere suggestion that it would have the incentive to engage in foreclosure is inconceivable.

109. Any reputational constraint could only further weaken the impact of the merger on Google's incentives to foreclose. Given that the merger does not appear, for purely financial reasons, to add to any incentive that Google may have had, the OFT has not therefore needed to conclude on Google's reputational arguments.

Effect

110. Google told the OFT that even if the merger gave it the ability and incentive to foreclose PCSs, this was unlikely to lead to an SLC because:
- barriers to entry in relation to the PCS market were low enough to mitigate the threat of anti-competitive effects
 - the merger is likely to deliver significant efficiencies, particularly for users, who would benefit from an improved and innovative product from the merged entity. Google suggested that this was likely to spur further innovation on the part of rival PCSs and
 - any foreclosure strategy would not result in higher prices to advertisers on PCSs, not least because these are large financial service providers and would resist any attempt to raise prices.
111. Several third parties contacted by the OFT in the course of its investigation suggested that while technical barriers to entry were low, advertising costs were a significant barrier. One third party estimated that the level of off-line advertising spend required to build a significant brand was likely to entail annual advertising costs of around £20 million.
112. Set against this, there has been lots of entry of UK consumer finance PCSs in the last ten years, as Figure 2 shows.

Figure 2 Market entry in consumer finance PCSs in the UK, 2000-2010



Source: Google and PCSs.

113. Several third-parties told the OFT that consumer finance PCS advertising was the most cost-effective channel for attracting new business. Therefore, and in spite of the fact that providers of personal finance products are likely to resist price rises, prices for advertising on PCSs would have to rise significantly before it became uneconomical to advertise through this channel. One third party estimated that it would cost a personal finance provider twice as much to acquire a new customer directly.
114. That said, the OFT assessed the effect of the BTQ downgrade in March 2011 as an indicator of the effects on traffic of a hypothetical foreclosure strategy. The OFT estimated that the pure downgrade effect (netting out other seasonal factors which also affect traffic volumes) was a fall in overall traffic to BTQ of around [0-10] per cent. The OFT also notes that this effect is likely to be an upper bound estimate for the effect on larger, well-known PCSs because BTQ is a small competitor more reliant on Google traffic.
115. In the light of the OFT's conclusions on the absence of any increment from the merger to any pre-existing incentive to foreclose that Google may have had, it has not needed to conclude on whether any foreclosure strategy is likely to result in anti-competitive outcomes for users and advertisers.

THIRD PARTY VIEWS

116. Third parties were broadly unconcerned by the merger raising a realistic prospect of an SLC in relation to horizontal effects. Several third parties raised concerns in relation to non-horizontal aspects, which have been dealt with in the preceding sections.

ASSESSMENT

117. Prior to the merger, Google and BTQ overlapped in consumer finance PCSs in the UK. Google also supplies general internet search to users and BTQ supplies white label PCS platform technology.

118. Consumer finance PCSs are two-sided products and the OFT has assessed the effect of this transaction by looking at its impact on:

- the supply of online advertising space on consumer finance PCSs in the UK
- the supply of overall online advertising space in the UK
- the supply of consumer finance PCS search services to users in the UK and
- the supply of 'white label' PCS technical platforms in the UK.

119. This case raises horizontal and vertical issues. At the horizontal level, the OFT has assessed the effect of the merger:

- on the loss of actual competition in the supply of online advertising space on consumer finance PCSs and in the supply of overall online advertising space in the UK
- on the loss of actual competition in the supply of consumer finance PCS search services to users in the UK and
- on the loss of actual competition or of a potential entrant in the supply of 'white label' PCS technology in the UK.

120. As to vertical concerns, the OFT has assessed whether the merger gives Google/BTQ the ability and incentive to totally or partially foreclose traffic from unpaid (natural) search and paid search (sponsored links) to rival consumer finance PCSs, and the effects of any such foreclosure.

121. The OFT concludes that the merger does not raise a realistic prospect of an SLC in the supply of advertising space on consumer finance PCSs or in the supply of all online advertising space. In the supply of online advertising space on consumer finance PCSs, the parties' estimated combined market share is [0-10] per cent with an increment of [less than one] per cent and the merged entity will face significant competition from large consumer finance PCSs. In the supply of overall online advertising space in the UK, although the parties have a higher market share (around [30-40] percent) this is almost all attributable to Google and the increment from BTQ is very limited.
122. The level of actual competition between Google and BTQ in the supply of white label PCS platforms is negligible. Neither did the OFT receive any evidence that the merger gave rise to competition concerns against a more competitive counterfactual than the pre-merger situation, namely one with Google as a potential entrant, on the basis that (i) several competitors own and licence proprietary white label platform technology, (ii) the technology is easy and cheap to create, and (iii) PCS customers felt they had sufficient choice and could resist attempts to increase price.
123. The OFT received a significant volume of comments from third parties it contacted in the course of its investigation, who were concerned about the vertical aspects of the merger. They suggested that the merged firm would have the ability and incentive to foreclose rival consumer finance PCSs to BTQ, since natural and paid search results from Google's search engine are a key source of traffic to consumer finance PCSs. As a result, they said, competition would be reduced to an extent significant enough to give rise to a realistic prospect of an SLC
124. The OFT concluded that the merged firm may have the ability to pursue such a foreclosure strategy on the basis that (i) there is evidence to suggest that Google is an important source of traffic that rival consumer finance PCSs may not easily be able to switch away from, (ii) there are examples of alterations in the ranking in Google's results of consumer finance PCSs and evidence that these materially affect traffic to the sites, and (iii) Google accounts for a significant share of traffic to consumer finance PCSs.

125. However, the evidence did not suggest that the merger added to any incentive that Google may have had to foreclose rival consumer finance PCSs on the basis that it would be foregoing greater upstream profits on lost advertising than it would be gaining on extra PCS sales downstream. Furthermore, the effect of any such foreclosure of traffic volumes on competitors seems to be limited, according to evidence provided by the parties and analysis carried by the OFT on the effect of the downgrade in BTQ's Google ranking in March 2011. This appears to reflect the small size of BTQ in the UK market for consumer finance PCSs.
126. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

DECISION

127. This merger will therefore **not be referred** to the Competition Commission under section 22(1) of the Act.