

To: Competition and Markets Authority

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By email:

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Response from Oracle on the Market Study Notice

On July 3, 2019, the Competitions and Markets Authority posted a Market Study Notice for an examination of online platforms and digital advertising in the United Kingdom. The importance of this review cannot be understated because digital advertising is a vital component of the modern, online economy. Publishers—such as news websites, app developers, and other online content creators—monetize their content through the sale of digital ad space. On the open internet of third-party display advertising, these sales are facilitated by advertising technology (ad tech) companies that connect publishers selling digital ad space with advertisers, injecting data to help them target the best consumers to buy their goods and services.

This industry, however, is in trouble. It is filled with fraud, oppressive take rates from ad tech providers, and a lack of transparency for both ordinary consumers and the marketer- and publisher-customers reliant on ad tech. Venture capital investment has collapsed in this space and innovative start-ups and long-standing tech companies alike have failed to land a foothold in the industry. Oracle therefore strongly supports the Competition and Markets Authority's launch of an online platforms and digital advertising market study.

Oracle's technologies ferret out fraud in digital advertising and provide a neutral analysis of an ad's effectiveness—injecting a small dose of competition in the vitally important analytics portion of the market. This position informs our judgment that the digital advertising industry is not working. Ad tech platforms have scraped too much value from advertisers and publishers. And consumers pay for "free" services with ever increasing amounts of data, despite little improvement to the services themselves.

One company dominates this ad tech industry—Google. Although Google is well known by consumers for its search engine, Gmail, YouTube, and other user-facing products, it is truly an advertising company. In 2018, its advertising businesses brought USD \$116 billion in revenues. But, Google wields its dominance in user-facing services to collect a massive amount of targeting data to sell digital ads.

Targeting data is indeed the key ingredient to the success of digital advertising. We believe that most consumers, and most regulators for that matter, have little understanding about the scope and

scale of data collection in today's digitally-connected world. Consumers leave a trail of data from the moment they wake up in the morning and adjust their Nest smart thermostat to when they tell Google Home to turn off the lights when they go to sleep at night. Their data emanates from the phones they carry, the internet searches they query, the sites they visit, and the social media posts they broadcast.

Google is unique, not only for the sheer scale of consumer data it holds, but how this data is collected—and how frequently it is collected—across the entirety of the modern, mobile, ambient internet. Google began as a privacy-centric search bar. Today, that is just one tool of Google's data collection apparatus. Google can aggregate a person's private intentions (search), with their pattern of life (Google Maps, Google Home, and YouTube), and match it to the various websites they have visited (through cookies laid by Google Analytics and DoubleClick).

This dataset is large enough, but Google also captures an enormous stream of surveillance through its ubiquitous Android operating system and the 2 billion Android phones traversing the planet—indeed, more than 50% of all UK smartphone users own a phone running Android. Oracle's analysis of Android communications with Google servers reveals an unrivaled monitoring device that provides real time location and activity information to Google even when the owner of the phone is not actively using it. Consumers are enrolled in this surveillance unwittingly by simply acknowledging the presence of a cookie on their favourite news web-site, or clicking “accept” when they establish a Google account, download the Chrome browser, or activate their new Android phone

We also note that Google's abuses of its market power have restricted competition in the supply of digital advertising in the UK. Google's massive breadth of consumer targeting data creates a barrier to entry for any would-be ad tech participant, but this breadth of consumer targeting data has been captured largely in an anticompetitive fashion through (a) its coercion of consumers under its terms of service and privacy policies, (b) its overreaching collection of their data, and (c) its combination of consumer data into "super-profiles" that cannot be replicated by its competitors that compete for the provision of ad tech services.

Through aggressive acquisitions, Google has developed a full ad tech "stack", the success of which is intertwined with Google's targeting data dominance. For publishers and advertisers alike, Google's data is the key to its network effects. Publishers are drawn to Google's ad server to inject their inventory with targeting data to make it more valuable. The more publishers using Google's ad server means more advertisers using Google's ad placement services, which also rely on injections of targeting data. This creates conditions where ever more advertisers and publishers use Google's infrastructure, all while supplying their own data to Google in order to reach their desired consumer audiences. The volume of targeting data that Google abusively obtains has led to the creation and continuous fortification of a data moat that constitutes an enormous barrier to entry for these competitors in the ad tech ecosystem

Google's use of various policies and technical restrictions foreshadow its drive to slowly wall off its competitors in the provision of ad tech services to independent content creators and advertisers currently participating in the open internet of display advertising.



The massive amounts of consumer data Google injects solely into its own services—and its restrictions on customer usage of non-Google data—drive customers to rely on Google's ad tech stack rather than solutions from independent providers. Its dominance over the Chrome browser has a direct impact on the ad tech ecosystem, as its proposed changes to Chrome have the potential to directly prevent rival ad tech companies from implementing their own targeting solutions, which could bring the independent ecosystem to a grinding halt.

Through its restrictions on access to transactional data from ad campaigns, Google is further forcing advertisers to choose between the full Google suite of ad tech and analytics services or the independent ecosystem. Advertisers who choose the latter are faced with exorbitant switching costs and loss of supply.

Google is dominant on the supply side of the industry—especially through its publisher ad server, Google Ad Manager, with which it has engaged in a long course of conduct to control the supply process and provide access advantages to its own ad exchange and buy-side tools. On the demand side, Google took steps in 2015 to tie access to desirable YouTube ad space to its own buying tools, taking YouTube out of the open internet and turning it into its own walled garden.

Attached to this submission are studies Oracle prepared concerning the scope of Google's consumer data collection practices. Included is an examination of the Android operating system as well as a study on how Google combines various datasets to create "shadow profiles" of consumers, and how Google obscures this collection from its public-facing services. We hope that these papers will inform the Competition and Markets Authority in its exploration of its theme related to consumer control over data collection processes.

The Competition and Markets Authority's concerns about online platforms and digital advertising are well-founded, and Oracle has thought through many of the issues raised in the market study notice. Consumers must have more have a choice when enrolling in digital data collection programs. By creating the conditions for competition in consumer data, consumers might gain actual consideration for the bargain of sending their data to a third party. Whether this be in the form of payment, enhanced privacy, or merely the ability to experience the online world unfettered by bad ads or erroneous distractions, consumers deserve better than what they currently receive. Without fair competition, however, none of this may be possible, and any hypothetical innovation on behalf of consumers is just that—hypothetical.

We look forward to the results of this important study and stand ready to answer any questions you may have.

Respectfully submitted,

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