Completed acquisition by Google LLC of Looker Data Sciences, Inc.

Summary of the CMA's decision on relevant merger situation and substantial lessening of competition

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Please note that [✂] indicates 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.

SUMMARY

1. On 5 December 2019, Google LLC (**Google**), a wholly owned subsidiary of Alphabet Inc. (**Alphabet**), acquired the entire issued share capital of Looker Data Sciences, Inc. (**Looker**) (the **Merger**). Google and Looker are together referred to as the **Parties** and, for statements referring to the future, the **Merged Entity**.

2. Google is a worldwide supplier of a variety of software and internet-based products, operating across a number of sectors including web analytics, online search advertising and cloud computing. Google's parent company Alphabet had worldwide turnover of approximately £103 billion in financial year 2018, approximately £[✂] of which was generated in the UK.

3. Looker is a US-based provider of business intelligence (**BI**) tools. BI tools are types of application software designed to analyse, visualise and interpret business data in support of corporate decision-making processes. Looker's worldwide turnover was approximately £[✂] in financial year 2018, approximately £[✂] of which was generated in the UK.

4. For the purposes of the jurisdictional assessment of the Merger, the Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Google and Looker is an enterprise and that these enterprises have ceased to be distinct as a result of the Merger.

5. The CMA believes that the share of supply test is or may be met on the basis that the Parties overlap in the supply of analytics tools that have the capability

to automate the ingestion, analysis and visualisation of web analytics data. Google provides these services both through its web analytics tools (Google Analytics and Google Analytics 360) and its BI tool Google Data Studio (**GDS**). Looker provides such services through its BI tools. On this basis, the Parties have a combined share of [20-30]% with an increment of [0-5]% based on the number of individual UK users for these products.

6. The four-month period for a decision has not yet expired. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.

BI tools

7. The CMA has first assessed the impact of the Merger on the supply of BI tools (‘horizontal unilateral effects’). The Parties overlap in the supply of BI tools worldwide (including in the UK) through:

   (a) GDS, a free BI tool offered by Google that is currently interoperable with Google’s suite of products and services, including its cloud-based data warehouse Google BigQuery (**GBQ**) but does not interoperate with the leading rival data warehouses (including those offered by Amazon, Microsoft, Snowflake, Oracle and others); and

   (b) Looker’s own BI tools, which interoperate with more than 45 data warehouse solutions.

8. In line with its recent decision in *Salesforce/Tableau* and the available evidence assessed in this case, the CMA found that the BI tools market is a fast-moving and highly competitive market where numerous providers (including the Parties, Tableau, Microsoft, SAP, IBM/Cognos, Oracle, Qlik and others) continually invest to improve their offer. BI tool providers seek to distinguish themselves from their rivals by offering specific features and additional functionality, which drive customers to ‘multi-home’ to meet different BI tool needs across their organisation.

9. The CMA assessed whether the Parties are close competitors in the supply of BI tools and whether rival BI tool providers will continue to constrain the Merged Entity post-merger. In addition to a relatively low combined share of supply worldwide and in the UK, the CMA found that customers and competitors did not perceive GDS as a viable alternative to Looker. The evidence also indicated that the Merged Entity will continue to face significant constraints, as a wide range of BI tool providers compete vigorously for opportunities.

10. Therefore, the CMA believes that the Merger does not give rise to a realistic prospect a substantial lessening of competition (**SLC**) as a result of horizontal effects in the supply of BI tools on a worldwide basis.

Access to Google-generated data

11. There are also vertical relationships between the Parties as Google provides a number of services that generate data (ie web analytics and online advertising services) (**Google-generated data**) that can be analysed using a BI tool such as Looker's. This Google-generated data can be stored in data warehouse solutions such as GBQ, alongside a variety of other data relating to different aspects of a customer's business. This aggregated data can then be analysed by customers through BI tools such as Looker's and GDS.

12. The evidence suggests that Google enjoys substantial market power with respect to web analytics and online advertising services. The CMA has considered whether Google could leverage its strength in those upstream markets to partially foreclose rival BI tool providers from accessing Google-generated data sources post-merger ('vertical effects').

13. To analyse this, the CMA examined the Parties' submissions, large volumes of Google's internal documents covering its strategy and external analyst reports. The CMA also obtained evidence from a significant number of customers and competitors.

14. The CMA first considered whether the Merged Entity would have the ability to engage in a partial foreclosure strategy.

    (a) According to the available evidence, the CMA found that a material proportion of BI tool customers use BI tools to analyse Google-generated data and that doing so is important to them.

    (b) In addition, the CMA found that there is a strong body of evidence pointing towards Google having market power in relation to both web analytics and online advertising services. Furthermore, the CMA believes that Google's ability to offer a combination of related products may also enhance its market power in relation to each of these services. This is consistent with the findings of the CMA's recent market study interim report relating to online platforms and digital advertising.

    (c) In light of the available evidence, the CMA concluded that the Merged Entity would have the ability to put in place a range of non-price and price-based foreclosure mechanisms to hamper competing BI tools from

accessing Google-generated data. For example, the CMA believes that Google could impose various obstacles to accessing that data, including through restricting access to certain functionalities or through the introduction of charges.

15. On the basis of the above, the CMA found that the Parties may have the ability to partially foreclose competing BI tools.

16. The CMA then considered whether the Merged Entity would have the incentive to engage in a foreclosure strategy.

(a) The CMA reviewed a significant volume of Google's internal documents to test Google's submission that the rationale for the Merger was to strengthen its cloud business. Considered in the round, the CMA believes that Google's internal documents were consistent with Google's submitted rationale and did not suggest that Google was planning to engage in the foreclosure strategy envisaged under this theory of harm.

(b) As part of its assessment, the CMA considered the extent of switching to or from each of Google's web analytics and online advertising services, GBQ and the Merged Entity's BI tool as an indicator of the profitability of engaging in a foreclosure strategy. The available evidence suggested that should access to Google-generated data be hindered, this could have negative, albeit modest, repercussions on the amount of advertisers' expenditure on Google's online advertising services (implying that a foreclosure strategy would entail some costs for the Merged Entity). The CMA also found that there is a range of alternative data warehouses to GBQ. While there are material costs involved when switching data warehouse, the CMA notes that switching costs may, for new customers, have little impact on their choice of whether to select GBQ or another data warehouse provider (a relevant factor given the strong growth in the use of data warehouses).

(c) The CMA then assessed whether the Merged Entity could target a foreclosure strategy towards competing BI tools, as an untargeted strategy affecting all third-party products connecting to Google's products could prove more costly and therefore reduce or eliminate the incentive to foreclose. Based on the available evidence, the CMA found that whilst some degree of targeting is possible, this would require potentially costly changes to Google's current business practices. More significantly, the CMA found that the Merged Entity is unlikely to target limitations on accessing GBQ solely against competing BI tools using Google-generated data. In light of the discussion about switching in the preceding paragraph

16(b), this means that there would be a risk of GBQ losing customers to a range of competing data warehouses. The CMA placed material weight on this potential negative impact on GBQ, given Google's rationale for the Merger (as indicated in its internal documents) is to incentivise customers to switch ***to*** GBQ by offering an integrated 'one-stop-shop' for data storage and BI tools.

(d) In addition, the CMA found that pursuing a more limited foreclosure strategy involving only some of the ways of accessing Google-generated data would lessen the extent to which customers are steered towards the Merged Entity's BI tool. These routes may be either the direct connections used by BI tools to connect to Google-generated data, or the connections between Google-generated data and competing data warehouses. Accordingly, the CMA found that this would reduce the benefits for the Merged Entity to engage in this foreclosure strategy.

(e) The CMA also considered the available evidence concerning the relative margins for each of the affected products and possible retaliation by competing BI tool providers. This evidence did not prove conclusive for the assessment.

17. In light of the available evidence, the CMA believes the Merged Entity is unlikely to have an incentive to foreclose competing BI tools. Given the absence of an incentive to pursue a foreclosure strategy, the CMA has not needed to go to the next step of considering the effect that any foreclosure could have on competition.

Decision

18. As a result, the CMA does not believe that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral or vertical effects.

19. The Merger will therefore **not be referred** under section 22(1) of the Enterprise Act 2002 (the **Act**).