2 September 2021

Submission to CMA re Facebook-Giphy merger

To whom it may concern,

I am writing to you concerning the merger of Facebook and GIPHY on behalf of Young Voices UK. We are a nonprofit talent agency and PR firm for pro-liberty students and young professionals and are concerned about the potential for increasing interventionism from the Competition and Markets Authority (CMA).

There are two possible reasons why this merger could, under hypothetical circumstances, merit CMA intervention. Neither are borne out in reality.

Firstly, if it were a horizontal merger. If this were the case, then it may be true that this merger would result in an excessively large market share. However, this doesn’t hold up to the fact that Facebook has no GIF database or GIF search capabilities. Thus, GIPHY cannot be considered a competitor to Facebook.

Secondly, if it were an exclusionary vertical merger. If true, then Facebook may use GIPHY’s market power to try to prevent competition. Again, this does not hold up to scrutiny. Google has recently merged with Tenor, which is directly comparable to GIPHY, and so any argument alleging that this would be an uncompetitive market when backed by Facebook is simply flawed. Indeed, allowing this merger would actually allow GIPHY to better compete with Tenor, creating a system that benefits the consumer to a greater extent. Moreover, Facebook will not, and has no profit incentive, to reduce the supply of GIFs further showing a lack of evidentiary basis for consumer harm from this merger.

The CMA must be extremely careful when choosing to prevent mergers, as it sends a powerful push signal away from investing in the United Kingdom. Where regulations of mergers and acquisitions are too tight, then an incentive is created for investors to shift innovation to exclude technologies that would benefit British consumers. The decision to withdraw from the European Union has made Britain a much smaller market, and thus one more vulnerable to this. Therefore, we find it worrying that the CMA appears to be so overbearing in their regulation of this pro-competitive merger.

I hope you find this letter useful in your investigation.

Yours sincerely,

Tom Spencer
Technology Policy Fellow, Young Voices