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Competition and Markets Authority
United Kingdom

Written Evidence Submission on the Competition and Markets Authority's Proposed Strategic Market Status Decision Against Google General Search and Search Advertising Services

The [Center for Data Innovation](#) appreciates the opportunity to submit this response to the Competition and Markets Authority (CMA)'s call for views on its proposed decision report as part of its strategic market status (SMS) investigation into Google's provision of general search services under Part 1 of the Digital Markets, Competition and Consumers Act (DMCCA) 2024.¹ The CMA proposed to designate Google as having SMS in general search services.

The Center for Data Innovation studies the intersection of data, technology, and public policy. Its mission is to formulate and promote pragmatic public policies designed to maximise the benefits of data-driven innovation in the public and private sectors. It educates policymakers and the public about the opportunities and challenges associated with data, as well as technology trends such as open data, artificial intelligence, and the Internet of Things. The Center is part of the Information Technology and Innovation Foundation (ITIF), a nonprofit, nonpartisan think tank.

EXECUTIVE SUMMARY

The Center recommends the CMA avoids regulatory overreach under the new DMCCA regime by maintaining clear boundaries between distinct digital markets and recognising the importance of dynamic competition to support innovation and regulatory predictability whilst addressing concerns over search market concentration. In particular, the CMA should:

1. Limit the scope of the proposed SMS designation to clear boundaries that do not bleed into other, distinct digital markets; and
2. Explicitly factor in the disruptive potential of AI as part of its assessment of "substantial and entrenched market power".

LIMIT THE SCOPE OF THE PROPOSED SMS DESIGNATION TO CLEAR BOUNDARIES THAT DO NOT BLEED INTO OTHER, DISTINCT DIGITAL MARKETS

In its proposed decision, the CMA concludes that Gemini—Google's AI assistant—currently falls outside the scope of the designated "digital activity," as its use cases are nascent, mixed, and dynamic. Yet, the CMA also explicitly notes that it will "keep this under careful review" and may bring "search use cases" of Gemini within scope following further

¹ Competition and Markets Authority, "Proposed decision report: SMS investigation into Google's general search and search advertising services," Call for Views; Competition and Markets Authority, "Strategic market status investigation into Google's general search services: Proposed Decision," June 24, 2025.

consultation. Furthermore, the CMA's roadmap of possible measures to improve competition in search suggests it will monitor AI services, creating confusion about their regulatory status.² The equivocation introduces ambiguity over Gemini's status and whether it too falls within regulation under the proposed SMS designation. The CMA is not excluding AI assistants from scope if it is maintaining the option to regulate them as functionally equivalent to general search.

The CMA should clarify how it interprets section 20(3)(c) of the DMCCA, which allows the imposition of conduct requirements relating to a product or service not directly linked to the designated digital activity provided that the SMS firm has market power in the original activity. Applying conduct requirements to AI products like Gemini without first establishing market power in those products risks overreach. The CMA should delineate clear boundaries between general search (where it proposes SMS designation) and generative AI (where it has not made such a finding).

This regulatory ambiguity undermines predictability for firms and contradicts the CMA's stated objective to embed its "4Ps"—Proportionality, Pace, Predictability, and Process—into its enforcement approach. Likewise, the CMA risks violating its annual plan to drive growth and promote investment by discouraging competition in an emerging new market.³

EXPLICITLY FACTOR IN THE DISRUPTIVE POTENTIAL OF AI AS PART OF ITS ASSESSMENT OF "SUBSTANTIAL AND ENTRENCHED MARKET POWER"

The CMA's proposed five-year horizon for assessing "substantial and entrenched market power" fails to account for the dynamic and disruptive nature of competition in digital markets. This approach reflects a static view of market power, but what is needed is a shift toward a more dynamic understanding of competition—one that recognises that dominance today can be swiftly overturned by innovation tomorrow, a phenomenon which is especially crucial to understanding digital markets.

Competition in innovation-driven markets does not hinge on price or output in static equilibrium, but on the capacity of firms to introduce new, superior products and services that render incumbents obsolete. This process—what the economist Joseph Schumpeter termed "creative destruction"—is already playing out in the search market, where AI-powered assistants like Perplexity AI and ChatGPT are emerging as radically new interfaces for information retrieval. These tools bypass traditional search engines and advertising models entirely, offering users conversational, multimodal, or domain-specific alternatives.

Indeed, the CMA's own AI Foundation Models Report acknowledges that foundation models could "drive competition and disrupt incumbent firms" and that their downstream deployment could fundamentally alter competitive dynamics.⁴ These developments signal not just incremental change, but the potential for leapfrog competition—precisely the kind of

² Competition & Markets Authority, "Strategic market status investigation into Google's general search services: Roadmap of possible measures to improve competition in search," June 24, 2025.

³ Competition and Markets Authority, "CMA's Annual Plan to drive growth by promoting competition, protecting consumers and enhancing business and investor confidence," Press Release, March 27, 2025.

⁴ Competition & Markets Authority, "AI Foundation Models: Initial Report," September 18, 2023.

disruptive innovation that is the hallmark of effective market forces and which is already transforming the search space.

Given the transformative nature of AI in traditional search, reliance on current dependency measurements as competitive indicators is obsolete: Amazon's Google advertising spend, for instance, may represent final-stage investment in a relatively diminishing distribution channel rather than evidence of structural competitive weakness. Similarly, the CMA's emphasis on Google's superior search infrastructure assumes continued relevance of traditional crawling and ranking, when AI assistants can synthesise information from multiple specialised databases without requiring comprehensive web indexing, potentially making Google's infrastructure advantage a stranded asset rather than an insurmountable barrier.

The CMA should not regulate a nascent and rapidly evolving field like AI chatbots as an access point to search where competition limits the potential for market power. It should also refrain from regulating search simply because AI is becoming integrated into traditional services—an example of digital transformation the UK should embrace to support its growth agenda.

AI represents a disruptive force in search, driving innovation and increasing competition to the benefit of users. Intervention at this inflection point risks freezing market relationships just as they become naturally contestable. The CMA should recognise that current market structure represents the final phase of the traditional search era rather than the foundation for future competitive dynamics, and that regulatory restraint during this technological transition would allow market forces to address competitive concerns more effectively than administrative intervention could achieve.

Regulatory intervention risks imposing unnecessary costs, disrupting a search market that is already evolving, and stifling progress in AI. The emergence of AI systems is a signal that digital markets are working—not failing—and calls for regulatory restraint to avoid undermining procompetitive developments.