
The Proposed *Google-DoubleClick* Acquisition

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What does Google obtain from the DoubleClick acquisition?

- **A display advertisement delivery capability**
- **A set of tools to monitor and analyze effectiveness of online advertisements**
- **A set of relationships with advertisers, agencies and publishers**
- **Existing and future data about consumer response to different advertisements**

DoubleClick technology and competition

- **In what industry...?**
 - **Where can display ads come from**
 - ◆ **Third-party delivery networks (such as DoubleClick, Atlas, ValueClick...)**
 - ◆ **Licensed ad-serving technologies (such as AOL)**
 - ◆ **In-house delivery capability (such as Yahoo!)**
 - ◆ **Delivery capability from network advertisers (such as BlueLithium)**
 - ◆ **Smaller entrants with different approaches (such as AdBrite)**
 - ◆ **New entrants in rich media**
 - **Most of these have some analytic tools as well**
- **Online advertising generally is a dynamic business**
 - **Online advertising has only been around for ~12 years**
 - **Portions of the technology (servers, bandwidth) commodities**
 - **High degree of innovation in targeting and analytics**
 - **Portions of the market may still be underserved (esp. small advertisers)**

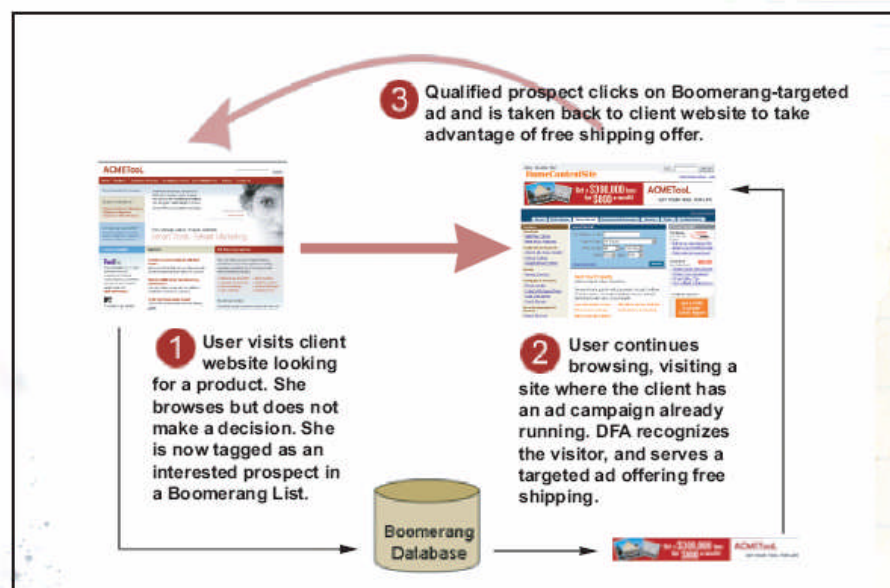
DoubleClick relationships and competition

- **DoubleClick reports about 1,500 clients across their existing business lines**
- **Key question: Do customers face switching costs?**
 - ... due to lack of alternatives (unlikely)
 - ... due to sunk investments (maybe)
 - ... due to network effects (maybe)
- **Next question: If there is lock-in, can this be exploited in terms of higher prices?**
 - **Current pricing approach divides any benefits Google accrues with publishers**
 - **Advertisers typically exhibit high price sensitivity and respond rapidly to innovation**
 - **Not sure what enterprise software customers will have to do**

Value of information generated by DoubleClick

- **Information plays two roles in competition**
 - As a production asset
 - As a source of bargaining power
- **Google historically has obtained a (disturbingly?) large amount of information about online consumers and firms**
 - ...but has generally used this to improve production not expropriate surplus
 - ◆ Consumers: improving search results, targeting advertisements for relevance
 - ◆ Advertisers: auctions and revenue sharing contracts make limited use of private information
 - ... and they aren't the only ones with this information
- **Questions:**
 - Does added info matter?
 - Will they use this information in a redistributive manner?

Example of DoubleClick's capabilities



Use Boomerang to Get Better Results

Smart marketers have used Boomerang to:

- » Re-target customers who have already browsed their site to bring them back.
- » Re-target site visitors who have “dropped off” the purchase cycle with a related message to drive them back to the site.
- » Up-sell and cross-sell customers that have already purchased core products.
- » Reengage customers who have not visited or purchased recently.
- » Show specific advertising messages based on expressed interests, such as delivering an ad for a new car model to a browser that downloaded a brochure on last year’s model.
- » Test different offers and price points to determine the most effective methods for converting browsers into buyers.

Source: “DART for Advertisers White Paper” (http://www.doubleclick.com/us/knowledge_central/documents/MISC/overview_boomerang_0607.pdf)

Challenges in formulating policy

- **Complex structure of the industry does not make market definition straightforward**
- **Continued evolution of Internet advertising**
- **Easy to mix in issues that relate to the entire online advertising market with issues that apply to this acquisition**