STATEMENT:

Right now, there are Americans thinking about switching their mobile service provider, or buying a used car, refinancing their mortgage, joining a virtual gym or subscribing to an app. Businesses need to reach these people to pitch what they offer.

Traditionally, the only way to reach an audience and persuade them to buy your product involved wasting tons of money. You'd buy ads seen mostly by people who didn't care what you were selling.

In digital advertising, we aspire to not waste any money. Using powerful software and anonymous data, we try to limit advertising to the audience who cares about our ad's message. We experiment to find the conditions where being exposed to our ad makes a difference in what consumers decide to do.

That's been my job for 20 years: using technology to make advertising more productive, relevant and timely.

When the toughest part was convincing firms to reallocate budgets from traditional advertising to digital, Google was a great ally.

But as digital advertising matured into distinct markets for search, display and social, Google changed. The company lagged behind the pace of innovation in display. Google was not a key player in the invention of ad exchanges – the most important development in digital since 2010.

The ability to be precisely effective in display depends on ad exchanges. Exchanges allow ad buyers and sellers to connect virtually and make the best deals for each of us, without friction, a million times per second. Display auctions occur as you load a webpage. It's because of exchange transactions that any creator can monetize the attention he earns, and any business can maximize the impact of its ad dollars.

The ad exchange ecosystem thrived as long as its participants were mutually interested in a level playing field. We agreed it's best to interoperate with competitors on fair and equal terms, so that customers can mix-and-match products at will and the best ideas win. The display exchange ecosystem is nicknamed "the open web" because it's a free market.

A company has to be very confident about what it brings to operate in this mode – it's like owning a stall in a vast open-air market. Customers can easily compare your features, quality and price with those of other sellers within easy reach.

Though it wasn't clear at the time, antitrust investigations have produced clues of Google's strategy for ad exchanges. It seems Google saw the market efficiency of exchanges as a threat to Google's primary business: *selling* ads. The ad exchanges were set up to be agnostic brokers, just like stock exchanges.

In 2010, discussing Google's potential development of an exchange buying platform (or "bidder"), the executive in charge of its display business wrote in an internal email: "The primary benefits on having a bidder are eliminating the disintermediation risk and substantially increasing display spend with Google from agencies (through the combined use of DFA – bidder – AdX)." [1]

DFA refers to Google's ad server; AdX was Google's exchange. Google's plan was to combine products so that what appears to be an agnostic exchange can resolve any conflicts of interest in Google's favor. Google planned to make its exchange like a shady stockbroker who steers every client to the assets his employer pays him to sell. It would use its market power in several nodes of the ecosystem to discourage comparison shopping against best-in-class point solutions. For example, a great new bidder is less enticing if your current bidder is tied to your ad server, which has almost no competition.

Display innovation abounded in the period 2010-2016, expanding on the theme of privacy-compliant, interoperable exchange transactions. By consistently adopting the latest and greatest tools, buyers found we could make display advertising more effective, per dollar, every year. We watched adtech conventions grow from dozens to thousands of startups.

Google never caught up. Instead, it leveraged market power to slow the pace of innovation in display and make exchange buying less attractive to advertisers. Google did this by expanding from the set of exclusive product integrations referred to in that 2010 email to a web of ties extensive enough to entangle the whole marketplace.

In 2016, Google combined search and display data, breaking a promise made to American regulators. Google also broke the industry's privacy standard by linking consumers' names, from Gmail, to the ID numbers assigned to browsers for exchange transactions. [2]

Continuously, from 2016, Google came up with new ways to pollute the exchange ecosystem they'd previously seemed to embrace. Pollution came in the form of restrictions and exclusions that made the open web less efficient for buyers and sellers.

Google took YouTube, Google's most valuable display property, off the exchanges, while making it available through an exclusive "pipe" from Google's exchange bidder. Google excluded data providers from its websites and measurement partners from its platforms. Google's selling platform denied publishers' demand for a unified, exchange-vs-exchange action. To keep publishers from getting rid of Google's software, Google funnels exclusive display demand from its search platform through it. Google weaponized new privacy laws to restrict advertisers' and publishers' access to their own ad data in Google tools.

---

[1] https://judiciary.house.gov/uploadedfiles/466453.pdf Email from Neil Mohan.

[2] https://www.propublica.org/article/google-has-quietly-dropped-ban-on-personally-identifiable-web-tracking

Google tightened ties among its products until the shady broker was no longer one among a set of competitors: Google became the only display company not hobbled by the exclusions and restrictions it'd placed on everyone else. The power to interoperate among buy-side, sell-side and measurement software went from being a feature of the exchange ecosystem to a capability exclusive to Google.

Now, progress on innovation is squeezed to the margins of the industry, and new adtech is rare. The majority of advertisers have stagnated or regressed.

There's more at stake than most people realize. The more efficient the ad market, the more likely it is that superior new products will find customers and thrive. When the ad exchanges function properly, the size advantage from flooding the airwaves is offset by quieter voices speaking directly to whoever's most open to any given improvement. It tilts the incentives of every business toward innovation.

Google is dominating display by breaking interoperability and subtracting the efficiencies of a symmetrical market. Pre-2016, under intense competitive pressure, ad exchanges were becoming more transparent and privacy-respectful as the ecosystem grew. Google could have coped with these developments without using its market power destructively: There was nothing to stop Google from exiting the arena or competing within its open standards. Whether or not Google competes with other big tech firms is irrelevant to the harms they've caused publishers, measurement companies, platforms and small businesses like mine in the ~$50B open web display market.

It was efficient when publishers, platforms, measurement tools and service providers all interoperated. Innovators of a great new product or service could access a global marketplace of thousands of buyers and sellers quickly at low cost. Small businesses with great ideas had a shorter ramp to success.

Now, funding for new adtech startups has been drying up and the pace of innovation slowed down. The number-one concern I hear from potential investors is Google's domination of the market my company operates in. For years, they've been breaking existing efficiencies and preventing the development of new ones.

Many expect Google to successfully mislead regulators about its conduct in the open web, and its harmful effects. I'm grateful for the opportunity to help scrutinize Google's claims. For the sake of competition, the innovation competition drives and the benefits innovation brings, Google should be forced to either exit the ad exchange market or compete within its open standards.