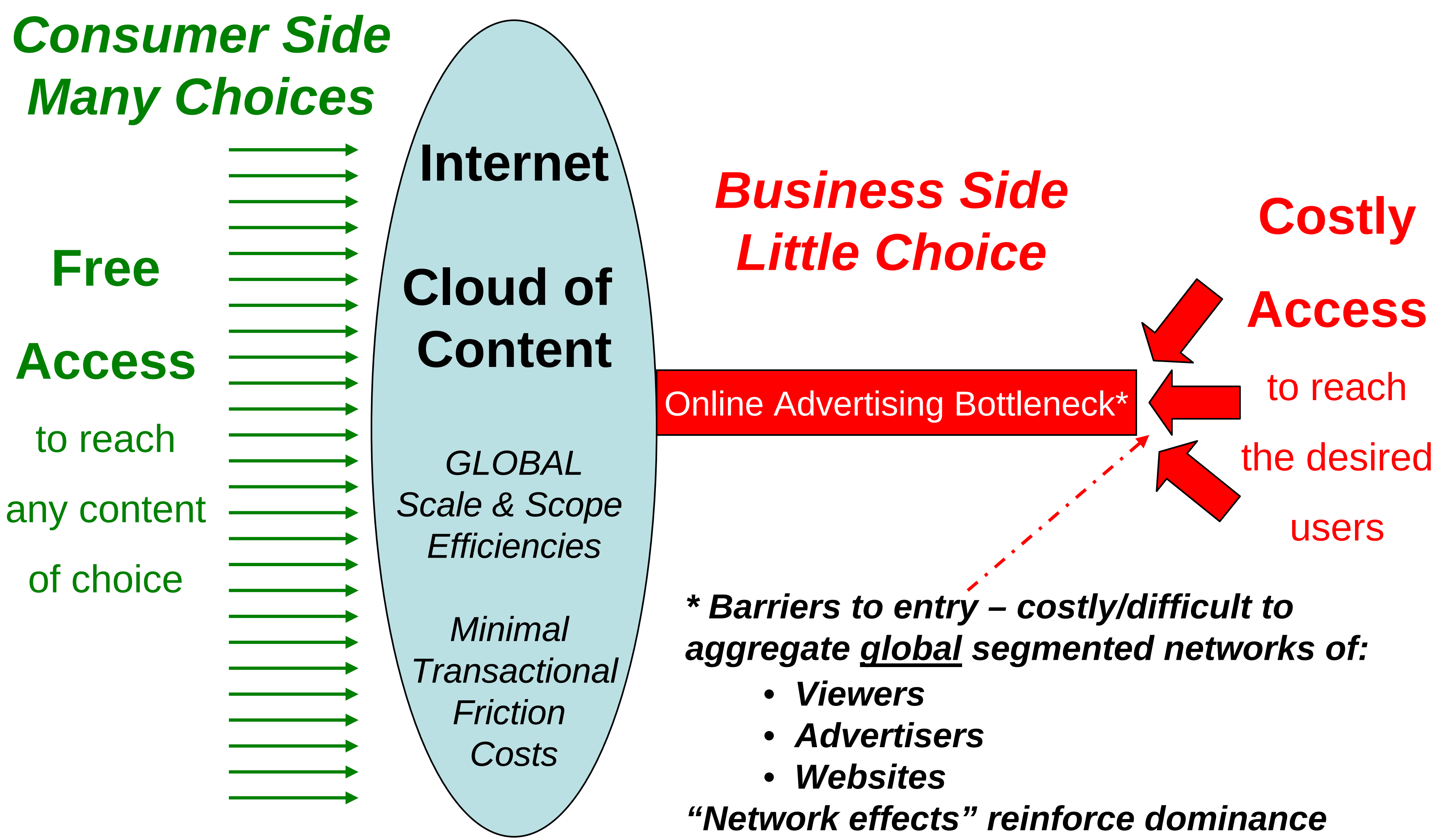
“The Internet Choice Paradox”

Advertisers <u>not</u> Consumers Pay for Internet Content



Extreme Concentration

Comparing Analogous Intermediary Markets

Online Advertising Intermediaries = **Capital Markets Intermediaries**

Google + DoubleClick =

+ Top ~15 Financial Institutions:

(Citicorp, Bank of America, HBSC, JP Morgan, Morgan Stanley, Merrill Lynch, UBS, Goldman Sachs, Credit Suisse, Wachovia, American Express, Societe General, Bear Stearns, Barclays, Prudential)

+ New York & London Stock Exchanges

+ Bloomberg & Factset (Analytic tools)

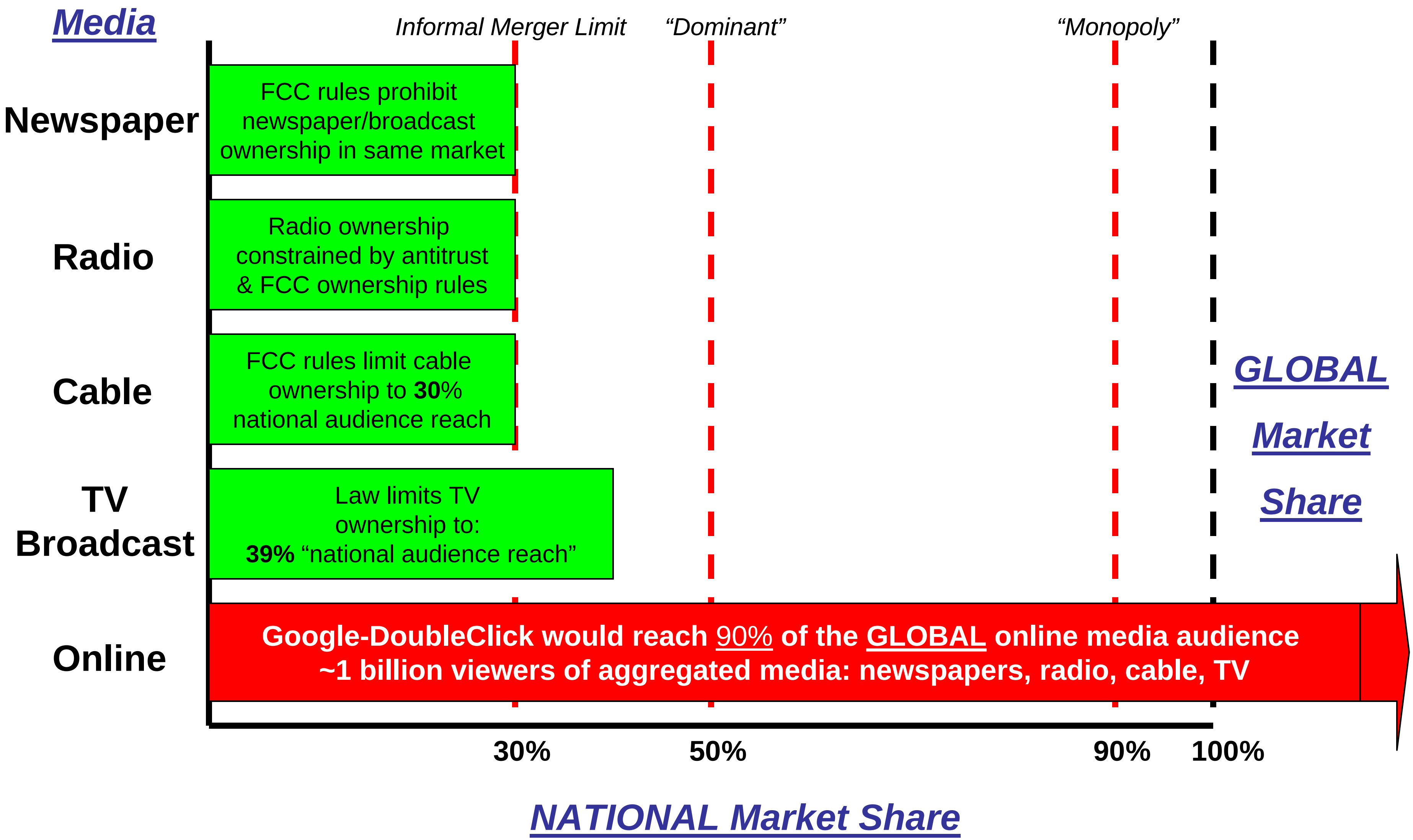
+ Experian & Equifax (Credit profiles)

+ 60% Fed Reserve & US Census data

A horizontal merger with vertical effects? Or a vertical merger with horizontal effects?

Extreme Media Concentration

A De Facto “End-run” Around Media Ownership Limits?



Googleopoly Tipping Point?

Accelerating Network Effects Via Acquisition

DoubleClick's

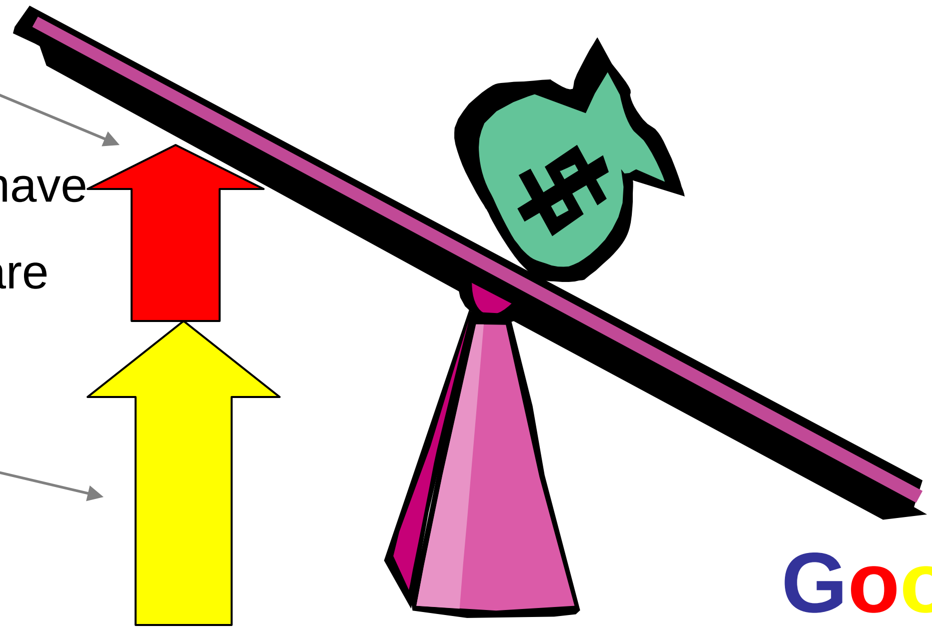
Hundreds of top global advertisers Google doesn't have

25% of Internet viewer share Google doesn't have

Google's

90% share of advertisers

65% Internet viewer share



Google

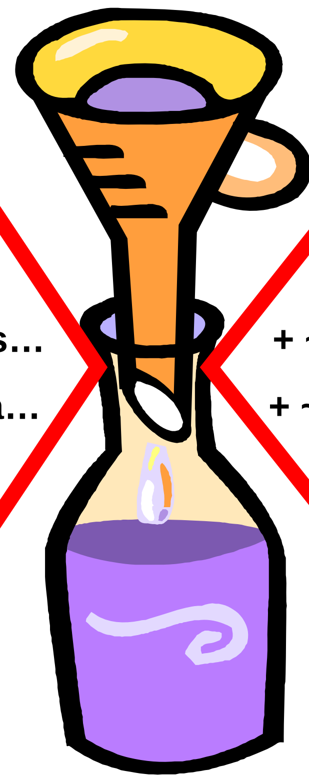
DoubleClick

Market Power

Sources: DoubleClick; William Blair & Co.; Hitwise

Facilitating Bottleneck Control of Online Advertising?

Advertisers



Google

~90% share of advertisers…

~65% share of Internet viewers…

~65% share of users' click data…

~27% share of publisher tools …

DoubleClick

+ hundreds of top non-Google advertisers

+ ~25% viewer share Google doesn't have

+ ~30% of users click data Google doesn't have

+ 51% of publisher tools that's not Google's

Internet Viewers

Sources: William Blair; SEC filings;
LECG David Evans; Precursor

Extreme Market Power

How Merger "Corners" the Online Advertising Market