Google

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Responses to the Autorité de la Concurrence's Request for Information dated 10 October 2019
Case No. 19/0030F, 19/0056F and 19/0057F

This submission sets out Google's response to the Autorité de la Concurrence's (**FCA**) Request for Information relating to the online advertising sector dated 10 October 2019 (**RFI**). The RFI requires Google to provide the responses to these questions by 11 November 2019. As agreed with the FCA on 8 November 2019, Google will provide the remaining non-privileged documents responsive to Question 28 by 2 December 2019.

A French version of Google's response will follow by the end of the week commencing 11 November 2019.

Google's response and its annexes contain sensitive business secrets that should not be disclosed to third parties. Pursuant to Article R463-13 of the Code de Commerce, Google will formulate a request for this purpose and provide a non-confidential version of its responses.

Google does not endorse or validate the content, findings or views expressed in any third party materials, reports or studies referred to in this response.

We hope our responses are helpful. Please let us know if you have any questions.

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Request 8

Q2. Indicate the differences between the dynamic allocation feature that existed prior to DoubleClick's acquisition by Google and the "similar ... feature recreated using Google's infrastructure" (see Response at paragraph 28). Specify the date on which this "recreated" feature was introduced by Google and why the Group considered each modification necessary or useful.

9. Based on the knowledge of current Google employees, Google is not aware of any material differences between the dynamic allocation feature that existed prior to DoubleClick's acquisition by Google and the similar feature recreated using Google's infrastructure.

10. The purpose of the recreation was to migrate the functionality that existed within DoubleClick's systems into Google's systems, using Google's software architecture, rather than continuing to operate the separate DoubleClick systems. Google did not intend to introduce any new features related to Dynamic Allocation during this recreation.

11. The recreated Dynamic Allocation feature was introduced with the launch of the recreated DoubleClick Ad Exchange (now part of Ad Manager) on 18 September 2009.

Q3. Indicate when a feature equivalent to Dynamic Allocation was introduced for DFP but not AdX publishers, to connect to the AdSense request (see Response at paragraph 28). Specify the reasons why the Group considered the introduction of this feature necessary or useful.

12. Paragraph 28 of the Response refers to the addition of an equivalent feature to Dynamic Allocation for small DFP publishers (who did not use AdX) to connect with AdSense demand via Dynamic Allocation.

13. Prior to Google's acquisition of DoubleClick in March 2008, only large publishers were eligible to use AdX. As small DFP publishers were not eligible to use AdX but could use AdSense, following the acquisition of DoubleClick, Google added the feature to allow small DFP publishers to connect with AdSense demand via Dynamic Allocation.

14. Around 6 months after Google acquired DoubleClick, Google launched a limited beta test of Dynamic Allocation for smaller DFP publishers that used AdSense. Google made this functionality widely available in the second quarter of 2009.

Request 11

Q4. Explain the reason why the Group states in paragraph 38 of the Response that "AdX can only compete with other ad exchanges for a given ad request if the (Enhanced) Dynamic Allocation feature is enabled", before indicating in paragraph 47 of the Response that "It ... is technically possible to use Ad Manager without the Enhanced Dynamic Allocation function by creating a separate 'AdX Direct' account linked to an unsold Ad Manager campaign. [The publishers] can then set an average price that will be charged by AdX for the competition (instead of a competition at the dynamic price indicated in the real-time auctions). This will result in Ad Manager calling AdX as it would call any

other ad exchange or advertising network, effectively disabling the Enhanced Dynamic Allocation." Specify whether there are any DFP users who have in fact used the solution referred to in paragraph 47 of the Response before indicating the reasons why a publisher would be likely to use this solution and, if applicable, the proportion of impressions served to DFP by AdX, the characteristics – size, location or others – of the publishers in question, and the impact of the solution on the implementing publishers' revenue.

15. Google does not provide a "toggle" control within the Ad Manager interface to turn off Enhanced Dynamic Allocation. However, publishers are able to effectively disable Enhanced Dynamic Allocation using the "workaround" method detailed in paragraph 47 of the Response. This method is not officially promoted or endorsed by Google, but is technically possible.

16. Because the use of the "workaround" method is not within Google's control, it does not monitor whether publishers have implemented it.

17. However, Google does not believe that the "workaround" method is widely used by publishers and, equally, Google does not know of any reason why a publisher would want to disable Enhanced Dynamic Allocation. It is likely that doing so would reduce that publisher's revenue, as Enhanced Dynamic Allocation is designed to increase publishers' revenue from both AdX and third party exchanges (including both Exchange Bidders and Header Bidding channels).[4] By way of example:

- a publisher averages 10,000 impressions per month. It books a direct deal for 7,000 impressions at €5 each, meaning that it has an estimated 3,000 indirect impressions to sell. Most of those indirect impressions sell for €0.50 each, but 30% of calls return a €4 bid;

- the publisher is confident that it will be able to fulfil its commitment to sell 7,000 impressions directly over the relevant time period. It follows that, even if the higher-priced indirect offer (at €4) is €1 less than the direct deal would return, it still makes sense for the publisher to fill the impression through the indirect channel with the higher-priced indirect offers as they arise; and

- without Enhanced Dynamic Allocation, the publisher would make €39,650 ((7,000 x €5) + ((3,000 x €4) x 30%) + ((3,000 x €0.5) x 70%)). With Enhanced Dynamic Allocation, the publisher would make €47,000 ((7,000 x €5) + (3,000 x €4)).

18. Google has not received any feedback requesting a toggle to turn off Enhanced Dynamic Allocation.[5]

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4 Service performance data indicates that Enhanced Dynamic Allocation increases publisher revenue at a greater rate for remnant line items than for AdX.

5 When the Enhanced Dynamic Allocation feature was first launched, a few publishers who were sensitive about the delivery of guaranteed line items asked for it to be enabled for them slightly later, and Google honoured such requests.

Request 14

Note: the information provided by the Group does not sufficiently satisfy the request. Provide additional supporting materials, in particular by specifying the following:

Q5. Explain why paragraph 50 of the Response provides that it would be the responsibility of AdX – not DFP – to "use third-party ad exchanges to bid on an auction inventory" to "facilitate competition between multiple intermediation platforms".

19. "DFP" is Google's publisher-side ad server and "AdX" is Google's ad exchange.

20. The core function of a publisher-side ad server is to facilitate the sale of advertising inventory by the publisher to advertisers. Traditionally, these would have been direct deals between publishers and individual advertisers. When Dynamic Allocation was introduced in c. March 2007, ad servers (including DFP) used a "waterfall" process[6] to compare fixed bids from third party exchanges for publishers' remnant inventory[7] in order to maximise the revenue earned for that inventory. Ad servers (including DFP) did not have the technical functionality to make calls to third party exchanges to bid for ad inventory.

21. The core function of an ad exchange is to provide a "marketplace" to connect buyers (representing advertisers) that wish to purchase ad space with publishers that wish to sell ad inventory. Today, ad exchanges, including Ad Manager, solicit bids from third party advertisers and demand-side platforms (that buy ad inventory on behalf of third party advertisers), run an auction, and pass the winning bids on to ad servers. For this reason, it would have been the responsibility of AdX, as the ad exchange, to make calls to other third party ad exchanges to bid for ad inventory.

22. Please also note that when Google acquired DoubleClick in 2008, the feature known as Dynamic Allocation had already been introduced. As explained in the response to Question 7, when DoubleClick introduced Dynamic Allocation, it was not technically possible for Dynamic Allocation to facilitate competition between multiple exchanges in real time.

Q6. Provide the Group's overall estimate of the objective increase in latency referred to in the same paragraph of the Response.

23. Google's best estimate of the current latency increase that results from the additional calls to third party ad exchanges is based on the increased timeout that Google has had to allow for Exchange Bidders as compared to Authorized Buyers.

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6 Also known as a "daisy-chain" process. This is a revenue optimisation process used by some publishers to maximise the revenue generated from a set-up with multiple ad buyers. Each ad buyer is in turn given the opportunity to bid on the inventory - if they cannot meet the floor price, then this is passed back to the next buyer in the waterfall.

7 Remnant inventory is ad inventory that has not been offered to a particular advertiser at a guaranteed price.