The Price and Non-Price Implications of Market Concentration in Internet Search

Benjamin Edelman
Harvard Business School

here on my own, speaking only for myself

May 27, 2010
Google’s Non-Price Terms

- Forced purchase of undesirable placements
- Absence of itemized billing
- One-sided dispute resolution provisions
- Restrictions on data portability
Toolbar Features:

- Works with most IM, Email & Blog applications - as well as social sites like My Space and MSN Spaces!

- Bonus: Also includes cursors, screensavers, e-cards, the MyWebSearch® search box and Search Assistant - relevant search results in response to misspelled or incorrectly formatted browser address requests.

- No Spyware. No Adware. We take pride in our products!

Click Here!

Please read carefully. By clicking the "Click Here" button above and downloading Smiley Central, I accept and agree to abide by the **End User License Agreement**
Google Advertisers e.g. Continental

money ↓ traffic ↑

Google

money ↓ traffic ↑

Infospace

money ↓ traffic ↑

Localpages

money ↓ traffic ↑

(unknown company)

money ↓ traffic ↑

WhenU
Saks Fifth Avenue
Shop Saks.com And Take Up To 60% Off Select Designer - Limited Time!
www.saksfifthavenue.com

Shop Bloomingdales.com
Shop The Latest Designer Fashions at Bloomingdale's. Official Site.
www.Bloomingdales.com

Coupons & Promotion Codes
Save now with Discount Codes 20000+ Promo Codes at CouponAlbum
CouponAlbum.com

J.Crew - Official Site
Shop the Official Site for quality clothes for her, him, and kids.
www.jcrew.com

Rachel Zoe's Picks
Check out Rachel Zoe's holiday picks at Piperlime. Free Shipping.
www.piperlime.com/RachelZoe

Off 5th Saks Fifth Avenue
Find great deals and save! Compare products, prices & stores
www.Shopping.com

Macy's © Wedding Registry
Saksifthavenu.com

Sponsored Listings

- **Saks Fifth Avenue**
  Shop Saks.com And Take Up To 60% Off Select Designer - Limited Time!
  www.saksifthavenu.com

- **Shop Bloomingdales.com**
  Shop The Latest Designer Fashions at Bloomingdale's. Official Site.
  www.Bloomingdales.com

- **Mall Advertising**
  Your One Stop For Mall Advertising With Ad Options At Over 1,000 Malls
  MallAds.info

- **J.Crew - Official Site**
  Shop the Official Site for quality clothes for her, him, and kids.
  www.jcrew.com

- **Local Department Stores**
Saks Fifth Avenue
Shop Saks.com And Take Up To 60% Off Select Designer - Limited Time!
www.saksfifthavenue.com

Saksifthave Coupons
Get The Latest Coupon & Promo Codes Save Lots On All Your Shopping Now!
www.CouponAlbum.com

Rachel Zoe's Picks
Check out Rachel Zoe's holiday picks at Piperlime. Free Shipping.
www.piperlime.com/RachelZoe

Off Saks 5th Avenue Sale
Huge choice of designer apparel up to 49% off. Visit Saks 5th Ave now!
off-saks-5th-avenue-best-price.com

Crate & Barrel
Shop Crate & Barrel Stores Near You for Classic Designs for Your Home!
www.crateandbarrel.com
Saks Fifth Avenue
Shop Saks.com And Take Up To 60% Off Select Designer - Limited Time!
www.saksfifthavenue.com

Learn About The Nexus One
3.7" Display, 5MP Carrera & More From Just $179, Order Today!
www.google.com/phone

L.A.M.B. Shoes at Zappos
Free Shipping Both Ways on L.A.M.B. 365 Day Returns. Huge Selection!
www.Zappos.com

Jos A Bank Gift Cards
60-70% Off Savings Event! Save On Entire Stocks Plus Free Shipping
www.JosBank.com

Custom Plastic Gift Cards
Uniquely Designed to Your Specific Needs. Small or Large Quantities.
www.PlastekCards.com/Gift-Cards

Get Visa Gift Cards
Say 'Thank You' with a Visa Gift Card. Easy Ordering, Low Fees.
www.gift2go.net/GiftCard

Looking to Indulge?
Google’s Non-Price Terms

- Forced purchase of undesirable placements
- Absence of itemized billing
- One-sided dispute resolution provisions
- Restrictions on data portability
Google’s Non-Price Terms

- Forced purchase of undesirable placements
- Absence of itemized billing
- One-sided dispute resolution provisions
- Restrictions on data portability
“In reply to your traffic quality complaint –

One of our partners had a subpartner that violated our policies. You were charged $600 for traffic from that subpartner. We will refund you that $600.”

(adapted from an actual reply from an ad network)
Google’s Non-Price Terms

- Forced purchase of undesirable placements
- Absence of itemized billing
- One-sided dispute resolution provisions
- Restrictions on data portability
Customer understands and agrees that ads may be placed on any other content or property provided by a third party ("Partner") upon which Google places ads ("Partner Property"). Customer agrees that all placements of Customer's ads shall conclusively be deemed to have been approved by Customer unless Customer produces contemporaneous documentary evidence showing that Customer disapproved such placements in the manner specified by Google.

Customer understands that third parties may generate impressions or clicks on Customer's ads for prohibited or improper purposes, and Customer accepts the risk of any such impressions and clicks. Customer's exclusive remedy, and Google's exclusive liability, for suspected invalid impressions or clicks is for Customer to make a claim for a refund in the form of advertising credits for Google Properties within the time period required under Section 7 below. To the fullest extent permitted by law, refunds (if any) are at the discretion of Google and only in the form of advertising credit for only Google Properties. Nothing in these Terms or an IO may obligate Google to extend credit to any party.
10 Miscellaneous. The Agreement must be construed as if both parties jointly wrote it, governed by California law except for its conflicts of laws principles and adjudicated in Santa Clara County, California. … Any notices to Google must be sent to Google Ireland Limited, AdWords Program, 1st & 2nd Floor, Gordon House, Barrow Street, Dublin 4, Ireland, with a copy to Legal Department, via confirmed facsimile, with a copy sent via first class or air mail or overnight courier, and are deemed given upon receipt. Notice to Customer may be effected by sending email to the email address specified in Customer's account, or by posting a message to Customer's account interface, and is deemed received when sent (for email) or no more than 15 days after having been posted (for messages in Customer's account interface).
Google’s Non-Price Terms

• Forced purchase of undesirable placements
• Absence of itemized billing
• One-sided dispute resolution provisions
• Restrictions on data portability
Google Ads are Expensive

- 49% of sampled advertisers bought traffic from Yahoo at average prices (effective CPA) 30% less than the prices those advertisers faced for the same campaigns at Google.
- 72% of sampled advertisers bought traffic from Microsoft at an effective CPA 27% less than the same campaigns at Google.
- For 40% of sampled advertisers, Yahoo and Microsoft jointly provided at least 10% as much traffic as Google, at prices at least 10% lower than those available at Google. For 29% of advertisers, Yahoo and Microsoft offered at least 20% as much traffic as Google at prices at least 20% less than Google’s prices.

Source: B. Edelman, Towards a Bill of Rights for Online Advertisers, sidebar
AdWords API Terms & Conditions

Inputs Fields. The AdWords API Client must not show in the same area of a page, or otherwise visually or functionally associate, any input fields for collecting or transmitting AdWords API Campaign Management Data with the content of Third Parties or input fields for ... transmitting data to Third Parties. [A]n AdWords API Client must not (a) use the same input field ... to collect ... data that will be used [for] both AdWords ... and also ... for ... a Third Party advertising network, or (b) use input fields ... which are visually adjacent to input fields ... for a campaign on a Third Party advertising network.

Functional Separation. Any information collected from an input field used to collect AdWords API Campaign Management Data may be used only to manage and report on AdWords accounts. Similarly, any information or data used [for] AdWords ... must have been collected from an input field used only to collect AdWords ... Data. For example, the AdWords API Client may not offer a functionality that copies data from a non-AdWords account into an AdWords account or from an AdWords account to a non-AdWords account.

Campaign Management Data Storage. All AdWords API Campaign Management Data must be stored separate from Third Party advertising network data. Additionally, AdWords API Campaign Management Data may not be stored in a manner that is associated (through relational data structures, links or otherwise) with Third Party advertising network data.
Figure 1: Advertiser Reach and Multi-homing Status (Source 2)
Other Results of Google’s Power

- Viewpoint discrimination
  - e.g. “cougar” dating sites
- Disfavoring certain business models
  - e.g. vertical search (TradeComet, Foundem)
- Favoring Google’s own services
  - e.g. Mapquest versus Google Maps
  - Video, finance, product search
more examples, perpetrators, and infractions