



ICOMP Welcomes Yahoo!/Microsoft Agreement While Expressing Continued Concern over State of Competition in Online Markets

ICOMP, the Initiative for a Competitive Online Marketplace, welcomes the announcements by the European Commission and the US Department of Justice that they have approved the Internet search agreement between Yahoo! and Microsoft.

The agreement will enable the companies to build a search platform with at least a chance of achieving the scale necessary to offer an alternative to the dominant Google platform. As the European Commission has pointed out, Google's European market shares in internet search and online search advertising generally exceed 90%.

Web advertisers, web publishers and users will all benefit from this agreement. While not a panacea to the current state of competition in search and search advertising, the combined Yahoo!/Microsoft platform will provide a more viable alternative platform.

Commenting on the transaction, Lord Watson, Chairman of ICOMP, emphasised its implications for European Internet users: "Competition and innovation on the Internet are tremendously important for European Internet users. This deal promises to increase choice for users and to drive innovation and development in search, search advertising and online content more broadly."

At the same time, while the Yahoo/Microsoft agreement is a useful first step, it is only a first step. Looking ahead, it is clear that the search and search advertising markets are in great need of more choice and competition.

Currently a single company -- Google -- enjoys overwhelming dominance in the global search query market. Again, its market shares in Europe generally exceed 90%. Furthermore, if the pending AdMob deal is completed, Google will -- in the increasingly important mobile sector -- have shares of mobile in-app ads and all mobile ads of at least 70%.

Also, recent events in Italy and Germany, and today's announcement requesting that the French competition authority investigate possible anti-competitive behaviour by Google, all testify to the growing concern at the market power of Google and the need for a corresponding response.

Thus, while the Yahoo/Microsoft deal represents an important development in the direction of creating more competitive search and search advertising markets, much remains to be done. This will require continued vigilance by competition authorities worldwide, and vigorous enforcement of competition rules to ensure a vibrant, growing, and innovative online market place.