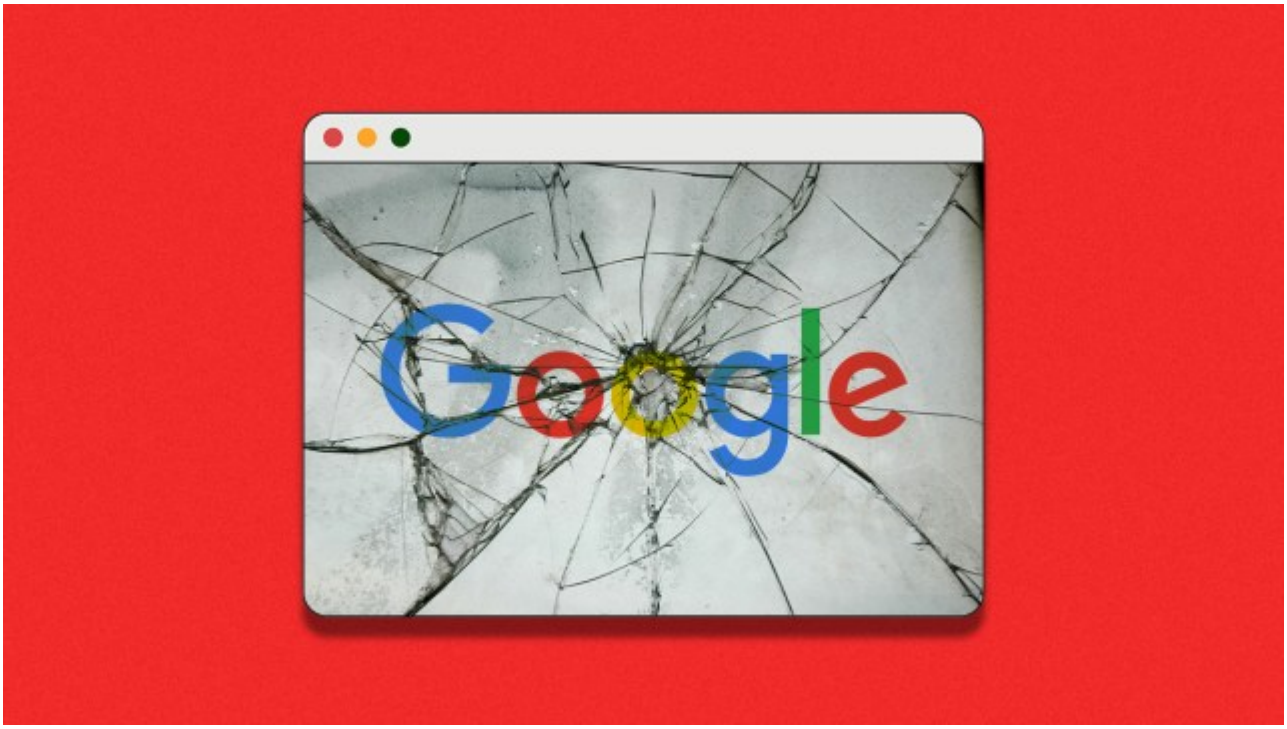
What Will a Diminished Google Presence Mean for the Advertising Ecosystem?

If Google hoped that the second Trump administration would offer it a reprieve from the crushing antitrust blow delivered by Biden's Department of Justice last year, it must now be feeling pretty disappointed.

Rather than deliver a genteel smack on the wrist, it instead proposed one of Google's worst possible outcomes. In order to chip away at Google's monopoly on search, the Department of Justice has recommended that Google divest its Chrome browser—and potentially the Android operating system, which today powers the majority of smartphones—as well as end its $20 billion deal with Apple to remain the default browser on the iPhone.

In mid-April, Trump's Department of Justice ruled against Google yet again, this time regarding its advertising business. In a 115-page ruling, judge Leonie Brinkema wrote that Google had unlawfully built a monopoly on the adtech ecosystem, which had, in turn, harmed choice and prices.



The ruling—which was hailed by attorney general Pam Bondi as a "landmark victory in the ongoing fight to stop Google from monopolizing the digital public square"—was another courtroom defeat for the tech giant, and the impact will be similarly damaging: The Justice Department has already asked for an order that would compel Google to sell or dispose of parts of its adtech business.

It's worth considering what this means for the advertising industry in the long run. Google has had an outright dominance in search advertising; in 2023, it consumed 39% of all global digital advertising spend. This would not be possible if not for Google's roughly 90% share of global search traffic.

Logically, if Google's search engine market share goes down, so too will its stranglehold on the digital advertising ecosystem. It will be the start of a brave new world, creating new opportunities for advertisers and adtech at large, with competition providing better value and greater innovation. The only sad part is that it won't happen overnight.

Set your expectations

Before you start building a Bing strategy and a DuckDuckGo

strategy, there are two points worth mentioning.

First, Google has said it intends to appeal judge Mehta's ruling—meaning that any remedies will likely enter force only after all avenues for appeal have been exhausted and the ruling becomes final. Similarly, Google intends to fight its most recent loss, according to Lee-Anne Mulholland, its vice president of regulatory affairs. This too will delay—or perhaps stop—any concrete action being taken.

It's impossible to know how long this process will take. Most likely, it will be several years before we reach a point of finality. At the risk of sounding clichéd, allow me to quote Winston Churchill: "This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning."

And even then, it will take more time before we see meaningful diversity in search. Google is still the go-to search engine for the vast majority of internet users, despite the fact that there is a growing unhappiness with the quality of its search results. Consumers have options—and some might even be better than Google—but they stick with the search engine they know out of habit.

Habits, as we all know, are notoriously difficult to break. In the case of Google, we are talking about a search engine that has enjoyed over two decades of dominance and is now a generic verb for "searching online." While the end of its preferential status on most browsers will, over time, result in many consumers switching, it's important to remember that this won't be an instant process. Patience is a virtue.

Bring back competition

So, what will a greatly diminished Google mean for the advertising ecosystem? Let's refer back to the judgements in the first antitrust case—specifically, the one concerning its

browser and search business.



Because Google had a dominant position in search—and, in fact, was the only real meaningful player in search—it could treat advertisers however it wished without fearing any repercussions. Google would, for example, take 20% of all revenue from ads served using its technology on third-party sites, according to a newspaper executive who testified during the trial. With respect to ads served directly on Google, the evidence presented showed that the absence of any real competition had allowed for Google to charge "supracompetitive prices" for text advertisements.

In essence, it could charge whatever it wanted—and Google would regularly tweak prices to identify the maximum it could charge. This, the ruling noted, proved highly successful for Google, with ad revenues growing consistently at a 20% rate year over year.

The absence of competition also allowed Google to change its products in a way that would limit the information that advertisers had on low-volume queries, while also restricting

the availability of SEM tools to one that favored Google over rival search engines.

Google got away with this because, at the risk of repeating myself, it could. It was the biggest—if not the only—real player in the search engine game.

What happens if its market share slips below 80%? Or 70%? Or, perhaps, even lower? It will, for the first time, be forced into competing with rivals on price and functionality. As the market transforms from a monopoly to a duopoly, or perhaps even something with real diversity of choice, Google will be forced to compete on things like price and functionality.

In my most optimistic view, I think we'll likely see a reduction in the overall cost for text ads, and for those ads served on third-party websites that make use of data captured by Google from its billions of users. Separately, as other search providers grow, their third-party offerings will look a lot more attractive thanks to the data obtained from their growing user bases.

When it comes to search text results, I imagine that the book of spending will go to whichever search engine has the most volume. For the foreseeable future, this means Google. Even if its market share dips below 60%—which, as I write this, almost feels unthinkable—it will still be the biggest player by far.



But I imagine advertisers will adjust their spending to an extent and prioritize those platforms that offer the best data on query volume and the best prices. Spending will be prioritized by a number of factors—pricing, volume, and the functionality offered.

If this sounds obvious, it’s because I am describing a functional market. We encounter them every time we go to a supermarket and walk down the cereal aisle, or when we buy a new car. The reason it sounds so alien in this context is because digital advertising, for the longest time, hasn’t been a normal market. It will take some time before we get there, but when we do, advertisers will be all the happier for it.

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