



July 22, 2024

The Honorable Lina Khan  
Chair, Federal Trade Commission  
600 Pennsylvania Ave NW  
Washington, DC 20580

Jonathan Kanter  
Assistant Attorney General  
450 5th St NW # 8700  
Washington, DC 20530

Re: *FTC and DOJ Seek Info on Serial Acquisitions, Roll-Up Strategies Across U.S. Economy, FTC-2024-0028-0001*

Dear Chair Khan and Assistant Attorney General Kanter:

On behalf of Chamber of Progress – a tech industry association supporting public policies to build a more inclusive society where all people benefit from technological advances – I appreciate the opportunity to share our perspectives on how acquisitions impact competitive dynamics.

So-called “serial roll-up acquisitions” are where an investor, often from private equity, acquires many or all small operators in a given sector. The aggregation of market power raises competition policy questions, including whether such acquisitions

- 1) extract value from the target businesses for the benefit of shareholders without consideration for the long-term competitive health of the business, or
- 2) harm competition and ultimately raise prices on consumers.

We have seen problematic roll-ups in sectors as diverse as journalism, media, hospitals, and agriculture.<sup>1</sup> In many cases, these acquisitions have received limited antitrust scrutiny because each individual merger may not have met the threshold for review.

In contrast, competition enforcers globally have thoroughly scrutinized acquisitions in the technology industry in recent years. To the extent that regulators are concerned with acquisition strategies, they should focus on sectors where there is a gap in enforcement and where additional scrutiny can lead to better outcomes for consumers.

---

<sup>1</sup> See, for example Clara Hendrickson, *How the Gannett/GateHouse merger could deepen America's local news crisis*, Brookings Institution (Nov. 2019).  
<https://www.brookings.edu/articles/how-the-gannett-gatehouse-merger-could-deepen-americas-local-news-crisis/>

While it is possible that acquisitions can harm consumer welfare by diminishing competition, they often enhance competition and benefit consumers throughout the value chain.<sup>2</sup> Accordingly, we urge you to avoid overly broad conclusions about acquisition strategies.

Instead, merger review should be founded on objective principles and be case-specific. Below, we illustrate examples of how tech acquisitions promoted competition in digital advertising and cloud computing, directly benefiting consumers - disproportionately small businesses.

### **Amazon acquisition injected competition into digital advertising**

Digital advertising offers many benefits to small and medium-sized businesses. For one, platforms like Facebook allow businesses to purchase as little as \$1 of advertising. In contrast, print, broadcast, and billboard advertising cost dramatically more, limiting its ability to the most established, best-resourced businesses. In this way, digital advertising uniquely enables small entrepreneurs and new enterprises to connect with potential customers and challenge incumbents.

Historically, the two largest providers of digital advertising were Google and Meta. In 2019, Google was the largest digital ad seller in the world, accounting for 31.1% of worldwide ad spending, or \$103.73 billion. Meta, formerly Facebook, was the second largest with \$67.37 billion in net ad revenues.<sup>3</sup> At the time, critics decried the so-called “duopoly” in digital advertising, alleging that it harmed the digital ecosystem.

In 2019, Sizmek was a failing digital advertising company. It was at risk of exiting the market when Amazon acquired the company for a reported \$30 million.<sup>4</sup> The impact on the small businesses that depend on digital advertising was profound.

Amazon’s acquisition of Sizmek’s ad server and Dynamic Creative Optimization (DCO) businesses marked a pivotal move in bolstering its advertising capabilities. Sizmek, a significant player in digital advertising technology, was facing financial challenges and

---

<sup>2</sup> As OECD Chairman Professor Frederic Jenny has identified, in the digital sector especially, concerns around harms caused by the size of a platform are inextricably tied to the benefits that those network effects engender. Frederic Jenny, *Competition Law and Digital Ecosystems: Learning To Walk Before We Run* (Sept 2021). [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3776274](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3776274) (“In traditional sectors, mergers can increase the size of a firm and allow it to benefit from enhanced scale economies, thus reducing its average cost, without the beneficiary necessarily passing on to consumers those efficiency benefits. In the digital sector, on the other hand, the efficiency benefits associated with the ability to train artificial intelligence algorithms on larger data sets increase the qualities of the service provided by platforms and are thus necessarily passed on to consumers. This means that competition authorities must consider the efficiency benefits associated with digital mergers simultaneously with the possible restrictions to competition that those mergers entail.”)

<sup>3</sup> Jasmine Enberg, *Global Digital Ad Spending 2019*, eMarketer (Mar. 2019).

<https://www.emarketer.com/content/global-digital-ad-spending-2019>

<sup>4</sup> *Amazon Buys Sizmek, Moving the Needle on Ad Tech*, MediaRadar (July 2019).

<https://mediaradar.com/blog/amazon-buys-sizmek-moving-the-needle-on-ad-tech/>

filed for bankruptcy before the acquisition.<sup>5</sup> Since acquiring Sizmek's ad tech assets, Amazon has invested in and grown the line of business. Had they not, Sizmek might have liquidated, leaving the 'duopoly' unchallenged.

Amazon's advertising business has meaningfully disrupted the digital advertising ecosystem, growing a reported 24% in the first quarter of 2024,<sup>6</sup> as ad revenue climbed to \$11.8 billion in the first quarter from \$9.5 billion in 2023.<sup>7</sup> By rapidly gaining market share, Amazon has emerged as a formidable competitor to the established players, and injected more competition into the market.

### **Growing Google Cloud through acquisition**

Cloud computing plays a critical role in the digital economy. Technology companies offload computationally intensive processes to cloud providers at a significant cost advantage relative to building their own on-site data centers. While companies of all sizes purchase cloud services, they are most helpful to startups since cloud services allow them to focus their limited capital on building innovative products.

At the same time, cloud operations are capital-intensive. The high upfront costs of building data centers has historically limited the number of players in the market. Amazon's AWS has long been the market leader, with Microsoft's Azure in second place. In 2008, Google Cloud entered the market. Since launching, Google Cloud has grown in part through a series of mergers, including Firebase, Kaggle and Mandiant to add analytic robustness and enhanced cybersecurity to its cloud offerings.

Since its launch, Google Cloud has consistently been the third-largest provider of cloud computing services, providing enhanced choice for cloud customers and competitive pressure on the market's largest players to continue to innovate.

### **Conclusion**

Each of these acquisition strategies benefitted consumers of advertising and cloud services, respectively. As with any disruptive entry, these acquisitions pushed incumbent players to innovate and adapt to maintain their market share.

Any proposed acquisition should be judged on its impact on consumer welfare. Moreover, competition policy enforcers must not prejudge mergers based on the buyer's identity.

---

<sup>5</sup> Lauren Johnson, *Amazon is acquiring an ad server from bankrupt ad-tech firm Sizmek, giving it a new tool to compete head-on with Google. Here's what it means for marketers*, Business Insider (May 2019).

<https://www.businessinsider.com/amazon-acquires-sizmek-ad-server-to-compete-with-google-2019-5>

<sup>6</sup> Ethan Cramer-Flood, *Among companies, Amazon's ad surge overshadows everything else*, EMarketer (May 2024).

<https://www.emarketer.com/content/among-companies-amazon-s-ad-surge-overshadows-everything>


<sup>7</sup> Ashley Capoot, *Amazon's advertising revenue jumps 24% in first quarter*, CNBC (Apr. 2024).

<https://www.cnbc.com/2024/04/30/amazons-advertising-revenue-jumps-24percent-in-first-quarter.html>

Instead, they should examine whether the acquisition stands to advance consumer welfare. Not all cases will meet that burden, and should be adjudicated accordingly.

However, digital-sector acquisitions often incorporate and diffuse the acquired firm's business to the larger acquirer's customer base, as demonstrated in the Sismek and Google Cloud examples. Tech acquisitions are already sufficiently scrutinized by existing merger tools. A better use of the authorities' resources would be to scrutinize sectors where roll-up strategies may hollow out competition.

Sincerely,

A handwritten signature in black ink, appearing to read 'T O'Boyle', is centered on a light blue rectangular background.

Todd O'Boyle  
Senior Director, Technology Policy  
Chamber of Progress