



Department of Justice

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JUSTICE DEPARTMENT FILES ANTITRUST LAWSUIT AGAINST BAZAARVOICE INC. REGARDING THE COMPANY'S ACQUISITION OF POWERREVIEWS INC.

Lawsuit Seeks to Restore Competition in Market for Product Ratings and Reviews Platforms Sold to Retailers and Manufacturers

WASHINGTON – The Department of Justice filed a civil antitrust lawsuit today against Bazaarvoice Inc. challenging the company's June 2012 acquisition of PowerReviews Inc. The department said that the \$168.2 million transaction substantially lessened competition in the market for product ratings and reviews platforms in the United States, resulting in higher prices and diminished innovation.

The department's lawsuit, filed in the U.S. District Court in the Northern District of California, in San Francisco, seeks to restore the competition that was extinguished by the transaction.

Bazaarvoice's acquisition of PowerReviews was not reported under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which requires companies to notify and provide information to the department and the Federal Trade Commission before consummating certain acquisitions. The department began its investigation shortly after the transaction closed.

"Bazaarvoice bought PowerReviews knowing that it was acquiring its most significant rival and hoping to benefit from diminished price competition," said Bill Baer, Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "Without competitive pressure from PowerReviews, Bazaarvoice will be able to increase prices to retailers and manufacturers for its product ratings and reviews platform. This lawsuit seeks to prevent one firm from dominating the product rating and review platforms market, and demonstrates that transactions that are not reported to us are not immune from scrutiny."

Consumer-generated product ratings and reviews are a ubiquitous part of the online shopping experience and are displayed on retailers' and manufacturers' websites. This feature allows consumers to read feedback from authentic product owners before making a purchasing decision. This content is also a valuable asset for retailers and manufacturers because it can increase sales, decrease product returns and provide valuable structured, product-level data about consumer preferences and behavior. Retailers and manufacturers use product ratings and

reviews platforms to collect, organize and display consumer-generated product ratings and reviews online.

According to the department's complaint, Bazaarvoice is the dominant commercial supplier of product ratings and reviews platforms in the United States, and PowerReviews was its closest rival. Before the transaction, PowerReviews was an aggressive price competitor, and Bazaarvoice routinely responded to competitive pressure from PowerReviews. As a result of the competition between Bazaarvoice and PowerReviews, many retailers and manufacturers received substantial price discounts, the department said. As the complaint describes, Bazaarvoice sought to stem competition through the acquisition of PowerReviews. The complaint quotes internal company documents in which senior Bazaarvoice executives describe PowerReviews's role in the market:

- One of the company's co-founders noted that the acquisition of PowerReviews would "[e]liminat[e] [Bazaarvoice's] primary competitor" and provide "relief from [] price erosion;"
- The company's current chief executive officer wrote that Bazaarvoice had "literally, no other competitors" beyond PowerReviews; and
- The company's former chief executive officer projected that, as a result of the transaction, Bazaarvoice would have "[n]o meaningful direct competitor."

The department alleges that the acquisition of PowerReviews has given Bazaarvoice the incentive and ability to raise the price of its product ratings and reviews platform above a competitive level. As a result of the transaction, many customers have lost critical negotiating leverage and are vulnerable to anticompetitive price increases.

Bazaarvoice is a Delaware corporation with its principal place of business in Austin, Texas. In its 2012 fiscal year, Bazaarvoice had revenues of approximately \$106 million.

Before the transaction, PowerReviews was a Delaware corporation with its principal place of business in San Francisco. In the 2011 calendar year, PowerReviews had revenues of approximately \$11.5 million.

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