



DETERMINATION OF MERGER NOTIFICATION M/11/040 -

SAP/SuccessFactors

Section 21 of the Competition Act 2002

Proposed acquisition by SAP of SuccessFactors

Dated 10 January 2012

Introduction

1. On 12 December 2011, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby SAP AG ("SAP"), through its subsidiary SAP America Inc., would acquire sole control over SuccessFactors, Inc. ("SuccessFactors").

The Undertakings Involved

SAP

2. SAP, headquartered in Walldorf, Germany, is a global provider of business software. It is active in over 50 countries including the State.¹ SAP America Inc., a wholly owned subsidiary of SAP, headquartered in Newtown Square, Pennsylvania, U.S.A, oversees all SAP business operations in North America.²
3. SAP is involved in developing and distributing enterprise application software ("EAS"), including Enterprise Resource Planning ("ERP") and Human Capital Management ("HCM").³ SAP's current involvement in HCM is primarily in relation to so-called 'core' HCM which includes administration of personnel records and remuneration of staff. SAP is also involved to a much lesser extent in so-called 'strategic' HCM, which includes recruitment of staff, scheduling of interviews and meetings, staff training and reviewing staff performance.
4. As stated by the parties, and in contrast to SuccessFactors as discussed below, SAP does not provide any of its software via a cloud platform (i.e., through web based applications).

¹ For further information about SAP see <<http://www.sap.com/about-sap/company/index.epx>>

² For further information about SAP America Inc. see <<http://www.sap.com/about-sap/index.epx>>.

³ As submitted by the parties, with reference to European Commission M.4944 – SAP/ Business Objects, and M.3216 Oracle/Peoplesoft, EAS is software which supports the business functions of companies, irrespective of size and sector of activity. EAS can be further broken down, on the basis of software functionality, into the following subdivisions in addition to ERP and HCM: Customer Relationship Management (CRM), Supplier Relationship Management (SRM), Supply Chain Management (SCM), Product Lifecycle Management (PLM), and Business Analytics (BA).

5. For the year ended 31 December 2010, SAP's worldwide turnover was approximately €12,464 million of which approximately €[...] million was generated in the State.

SuccessFactors

6. SuccessFactors, headquartered in San Mateo, California U.S.A., is involved, globally and in the State,⁴ in developing and distributing EAS, primarily HCM and in particular strategic HCM. For example, SuccessFactors offers its "Business Execution Suite" which consists of 19 individual modules including 360 Degree Reviews, Career and Development Planning, Performance Management and Workforce Planning.⁵
7. SuccessFactors distributes all of its software via a cloud platform, thereby supplying a service as a utility over the Internet, rather than a product, whereby, shared resources, software, and information are provided to computers and other devices.
8. For the year ended 31 December 2010, SuccessFactors' worldwide turnover was approximately €155 million of which approximately less than €[...] million was generated in the State.⁶

Third Party Submissions

9. There were no submissions from third parties.

Rationale for Proposed Transaction

10. The parties submit that SAP and SuccessFactors offer complementary HCM business software solutions. The parties submit that by acquiring SuccessFactors' software, SAP will accelerate its capacity to offer both cloud based and 'on-premises' HCM software and services to its customers.

⁴ SuccessFactors has been active within the State only within the last four years (i.e., since 2008).

⁵ For more information on Success Factors see <<http://www.successfactors.com/company>>. For more information on Business Execution Suite see <<http://www.successfactors.com/business-execution-software>>.

⁶ Using the average ECB exchange rate for 2010, i.e., 1USD = €0.7543. On 6 December 2011, SuccessFactors announced a definitive agreement to acquire Jobs2web Inc. The parties advise that this transaction is distinct and separate to the SAP's proposed acquisition of SuccessFactors and does not meet the thresholds for compulsory notification to the Authority. The turnover figures do not include turnover from SuccessFactor's acquisition of Jobs2Jobs Inc. The parties state that the inclusion of Jobs2Jobs Inc. turnover would increase SuccessFactors' global turnover for the year ended 31 December 2010 by approximately €[...] million and its turnover in the State by €[...]million.

Analysis

11. There is horizontal overlap in the activities of the parties. Both SAP and SuccessFactors are active in the ERP and HCM segments of EAS. However, the parties submit that SAP and SuccessFactors are not close competitors because their software and services are not readily substitutable. That is, for example, while both parties are active in the provision of HCM software, SAP is primarily active in the area of core HCM while SuccessFactors is active in the area of strategic HCM
12. Regardless of whether the products and services offered by the parties are substitutable or not, the extent of the overlap in the State is insignificant given SuccessFactors' minimal turnover and minimal market shares. The parties estimate the following SAP and SuccessFactors market shares in the State for ERP and HCM based on Gartner Inc. data:⁷
 - ERP - SAP ([30-35]%), SuccessFactors ([0-5]%)
 - HCM - SAP ([25-30]%), SuccessFactors ([0-5]%)
13. The relative market shares of the parties do not necessarily remove the potential for competition concerns. For example, the acquisition of a small and recent entrant by a large and well established incumbent could imply potential concerns about innovation and consumer choice, particularly in the context of dynamic sectors such as business software development and distribution. However, in this instance, the Authority does not have evidence to indicate substantial competition concerns of this nature within the State.
14. Within the State there are providers of ERP and HCM software and services, alternative to SAP and SuccessFactors, which will remain subsequent to the proposed acquisition. These are, for example, Microsoft Corporation, Oracle Corporation, the Sage Group plc, Infor Global Solutions, Lawson Software Americas Inc. and Northgate Information Solutions.
15. The proposed transaction does not raise any vertical issues within the State.
16. In light of the above, the Authority considers that the proposed transaction will not raise competition concerns in any market for goods or services in the State.

⁷ Market shares are based on "Market Shares: All Software Markets 2010", published in 2011 by Gartner Inc. ("Gartner"). Gartner is a well established and recognized industry consultant and provider of IT industry data. Gartner data has been used on various occasions in Authority determinations and European Commission decisions. For more information on Gartner Inc. see <<http://www.gartner.com/technology/about.jsp>>. Market share estimates for SuccessFactors do not include the market share, as referred to in note 6 above. The increase in SuccessFactors' market share from the inclusion of the Jobs2Web share would not be significant within the State (i.e., market shares for both ERP and HCM would remain less than ([0-5]%).

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby SAP AG, through its subsidiary SAP America Inc., would acquire sole control over SuccessFactors, Inc., will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Stephen Calkins
Member of the Competition Authority
Director, Mergers Division