



DETERMINATION OF MERGER NOTIFICATION M/17/069 - ACCENTURE/ROTHCO

Section 21 of the Competition Act 2002

Proposed acquisition by Accenture Limited of sole control of Rothco Unlimited Company and Tadata Creative Unlimited Company.

Dated 25 January 2018

Introduction

1. On 15 December 2017, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby Accenture Limited (“Accenture Ireland”), an indirect subsidiary of Accenture plc, would acquire the entire issued share capital of Rothco Holdings Designated Activity Company (“Rothco Holdings”)¹ and thus sole control of the Rothco Group, comprising two Irish-incorporated trading companies, namely Rothco Unlimited Company (“Rothco”) and Tadata Creative Unlimited Company (“Tadata”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a share purchase agreement dated 13 December 2017 between Patrick Hickey, Paul Hughes, Patrick Ronaldson and Richard Carr (the “Vendors”)² and Accenture Ireland.

The Undertakings Involved

Accenture plc

3. Accenture plc, headquartered in Dublin and listed on the New York Stock Exchange, is the top holding company of the Accenture Group (“Accenture”). Accenture is a global management consultancy and professional services firm. Accenture has five business divisions:
 - Accenture Strategy, which provides industry-specific strategies enabled by technologies for businesses in areas such as digital technologies, enterprise architecture and applications, finance and treasury functions, IT and security mergers and acquisitions;

¹ Following implementation of the Proposed Transaction, Rothco Holdings will become a wholly-owned subsidiary of Accenture Ireland.

² The Rothco Group is indirectly owned by its management shareholders, i.e., Patrick Hickey, Paul Hughes, Patrick Ronaldson and Richard Carr.



- Accenture Consulting, which provides consultancy services across 13 industry groups and functional and technology consulting services, e.g., optimising finance and enterprise performance, supply chain and operations, talent and organisation;
 - Accenture Technology, which provides system integration services and application outsourcing services across technology platforms;
 - Accenture Operations, which provides business process services, infrastructure services, security services, cloud services; finance and accounting, procurement, marketing and human resources; and
 - Accenture Digital, which provides services to improve the effectiveness of digital marketing, mobility and analytics, services to improve optimisation of routes to market and services to enhance digital enterprise capabilities and connections and to improve customer experiences.
4. Accenture Digital is the only relevant business division for the purposes of assessing the likely competitive impact of the Proposed Transaction.
5. Accenture Digital operates through three business streams:
- Accenture Interactive, which provides marketing and customer experience solutions, i.e., the design and personalisation of online customer experiences, campaign management, social media and collaboration services, digital content production and operational support for customer engagement. Accenture Interactive is not a creative agency and does not create content or deliver advertising campaigns;³
 - Accenture Mobility, which provides a range of services for the collection and exchange of data through connected devices, mobile applications and embedded software and sensor technology; and
 - Accenture Analytics, which provides analytics technology services, i.e., advanced mathematical modelling and sophisticated statistical analysis.
6. For the financial year ending 31 August 2017, Accenture plc generated a worldwide turnover of approximately €31.8 billion⁴, of which approximately €[...] was generated in the State.

The Rothco Group

7. Rothco Holdings is the holding company for the Rothco Group. The Rothco Group is a Dublin-based creative agency which provides a range of marketing, advertising, creative and strategic services. The Rothco Group operates through three business divisions:

³ In November 2016, Accenture acquired a London-based creative agency Karmarama whose business activities are predominantly focused in the United Kingdom. Accenture informed the Commission that “Karmarama has three Irish customers ... the services provided by Karmarama to each of these companies concern their activities outside the State”.

⁴ Euro figure converted from US\$34.9 billion using the European Central Bank (ECB) average conversion rate for 1 September 2016 – 31 August 2017.



- Rothco, which provides “above-the-line”⁵ and “below-the-line”⁶ marketing and promotion including brand planning, valuation and positioning, art direction and copywriting, consumer research, development and implementation of marketing and communications strategies and social media engagement;
 - Guns or Knives, a below-the-line customer activation business which provides event management, trade marketing, shopper marketing, art direction and design services; and
 - Tadata, which provides customer relationship management services using data analytics to tailor direct marketing campaigns. Tadata does not provide standalone data analytics services to third parties. Tadata only provides data analytics services in conjunction with the Rothco Group’s marketing communication services.
8. For the financial year ending 31 December 2016, the Rothco Group generated a worldwide turnover of approximately €[...], of which approximately €[...] was generated in the State.

Rationale for the Proposed Transaction

9. The parties state the following in the notification:

“From Accenture perspective, the acquisition of the Rothco Group will allow Accenture to add an established creative agency to its existing Accenture Interactive offer in Ireland, filling a significant gap in the services currently provided to Irish clients, while allowing it to offer enhanced end-to-end marketing services.”

Third Party Submissions

10. No submission was received.

Competitive Analysis

Horizontal Overlap

11. There is a horizontal overlap between the business activities of Accenture and the Rothco Group in the State in relation to: (a) the supply of marketing communication services, and (b) the supply of data analytics services.
12. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case.
13. The European Commission has previously considered that the relevant product market for the provision of marketing communication services:

⁵ “Above-the-line” marketing and promotions refers to mass media marketing generally used to target a wider audience through conventional media, e.g., television, radio, etc.

⁶ “Below-the-line” marketing and promotions comprises more tailored or individual promotional activities, e.g., product demonstrations, consumer roadshows, etc.



“encompasses an array of disciplines including advertising, insight and consultancy, public relations, consumer relationship management/direct marketing/event management, brand identity and design and other areas of specialist communications.”⁷

14. In its Publicis/Omnicom decision,⁸ the European Commission considered whether the relevant product market for the supply of marketing communication services could be further segmented by type of service, type of media, type of sector and/or size of account. The European Commission concluded in that decision that no additional segmentation of the marketing communication services market was necessary. The European Commission stated the following in relation to segmentation by type of service:

“... although customers may purchase single disciplines from different providers for specific projects, they expect and demand that agencies provide services across all or most types of MCS [Marketing Communication Services] disciplines ... respondents to the market investigation indicated that the different MCS disciplines are substitutable both from the supply and demand side perspective”.⁹

15. The European Commission has previously¹⁰ considered that data analytics services could be segmented into three categories:

“(i) marketing information services (i.e., the supply of data on individual consumers for direct marketing purposes), (ii) market research services (i.e., measuring and understanding consumer attitudes and actual purchasing behaviour and patterns), and (iii) media measurement services (i.e., measuring the audience of specific media, such as television and internet)”.¹¹

16. The European Commission, in previous decisions, has ultimately left open whether each of these types of data analytics activities constitute a distinct product market.¹²

⁷ Please see paragraph 9 of the European Commission’s decision M. 3579 WPP/Grey which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m3579_20050124_20310_en.pdf.

⁸ Please see the European Commission’s Decision M. 7023 Publicis/Omnicom which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m7023_20140109_20310_3566669_EN.pdf.

⁹ Please see paragraph 61-69 of the European Commission’s decision M. 7023 Publicis/Omnicom which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m7023_20140109_20310_3566669_EN.pdf.

¹⁰ Please see the European Commission’s decision M. 6967 BNP Paribas Fortis/Belgacom/Belgian Mobile Wallet which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m6967_20131011_20310_3325609_EN.pdf. Please see the European Commission’s decision M. 8180 Verizon/Yahoo which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m8180_240_3.pdf

¹¹ Please see paragraph 32 of the European Commission’s decision M. 8180 Verizon/Yahoo which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m8180_240_3.pdf

¹² Please see paragraph 79 in the European Commission’s decision M. 6967 BNP Paribas Fortis/Belgacom/Belgian Mobile Wallet which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m6967_20131011_20310_3325609_EN.pdf and please see paragraph 33 of the European Commission’s decision M. 8180 Verizon/Yahoo which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m8180_240_3.pdf



17. In this instance, it is not necessary for the Commission to reach a definitive view on the precise scope of the relevant product market. The Commission's conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the precise relevant product market is narrow (e.g., separate potential markets for each category of marketing communication services and separate potential markets for each category of data analytics services) or broader (e.g., the potential market for the supply of marketing communication services and the potential market for the supply of data analytics services).
18. It is also not necessary for the Commission to reach a definitive view on the precise scope of the relevant geographic market. However, in order to determine whether the Proposed Transaction might result in a substantial lessening of competition in the State, the Commission has assessed its likely competitive impact by reference to the State.
19. In conclusion, for the purposes of its analysis, the Commission has assessed the competitive impact of the Proposed Transaction in (a) the potential market for the supply of marketing communication services in the State, and (b) the potential market for the supply of data analytics services in the State.

Competitive Assessment

The Supply of Marketing Communication Services in the State

20. The horizontal overlap between the business activities of the parties in the supply of marketing communication services in the State is minor as the focus of the parties' activities are different. The parties' activities are not substitutable when assessed on a narrow basis.
21. As detailed in paragraph 7 above, the Rothco Group is a creative agency which focuses on the design and delivery of marketing campaigns, whereas Accenture, through Accenture Interactive, provides strategic marketing advice, e.g., enhancing routes-to-market and customer experience. For the financial year ending 31 December 2016, the Rothco Group generated turnover of approximately €[...] in the State in relation to the supply of marketing communication services. For the financial year ending 31 August 2017, Accenture generated revenue of approximately €[...] in the State in relation to the supply of marketing communication services.
22. As part of its assessment of the Proposed Transaction, the Commission contacted significant customers of the Rothco Group in order to ascertain their views about the likely competitive impact of the Proposed Transaction. None of the respondents raised any concerns about the Proposed Transaction. They informed the Commission that under their contract with the Rothco Group, the Rothco Group provides a range of creative services including, but not limited to, the following: creative thinking; strategic brand thinking and advertising development. For example, one respondent expressed the view to the Commission that the Rothco Group's "*strategic thinking ... [and] creative approach*" set them apart from the other submissions received in a recent tender process.¹³ All respondents expressed the view to the Commission that they do not

¹³ The majority of respondents informed the Commission that they operate a competitive tendering process when seeking a supplier of marketing communication services.



consider Accenture to be an alternative supplier of marketing communication services to the Rothco Group.¹⁴ Therefore, the Commission considers that Accenture and the Rothco Group are not each other's closest competitors in the potential market for the supply of marketing communication services in the State.

23. Furthermore, there are a number of alternative suppliers of marketing communication services currently active in the State. These include DDFH&B Limited, Publicis Group Media Limited, Daring Boys and Girls Limited, Cawley Nea Limited, Irish International Production Limited and Mindshare Limited. The Institute of Advertising Practitioners in Ireland, whose members include “*full service creative advertisement agencies, media agencies and digital specialists*”, currently has 58 members.¹⁵ Following implementation of the Proposed Transaction, these competitors will continue to act as a competitive constraint on Accenture in the potential market for the supply of marketing communication services in the State.
24. For the reasons set out above, the Commission considers that the Proposed Transaction will not substantially lessen competition in the potential market for the supply of marketing communication services in the State.

The Supply of Data Analytics Services in the State

25. The horizontal overlap between the business activities of the parties with respect to the supply of data analytics services - market research services and media measurement services - in the State is minor.
26. Neither Accenture nor Tadata is active in the supply of marketing information services in the State.
27. Tadata provides market research services and media measurement services as part of Rothco's marketing and communication service offering to enhance customer targeting and optimisation of campaigns. Tadata does not provide data analytics services to third parties. These services are ancillary and intrinsically linked to Rothco's marketing and communication activities.
28. Tadata's market research services tailor direct marketing campaigns for Rothco's customers. Tadata's media measurement services measure the performance of campaigns designed and delivered by Rothco, e.g., in relation to increased customer traffic following a particular marketing campaign or measuring customer perception in relation to particular branding. For the financial year ending 31 December 2016, Tadata generated turnover of approximately €[...] in the State in relation to market research services and media measurement services, i.e., approximately [...] % of the Rothco Group's turnover in the State for the same period.
29. In contrast, Accenture provides market research services and media measurement services as part of its wider range of data analytics services as detailed in paragraph 3. Accenture provides market research services and media measurement services on a consultancy basis, i.e., on the client's premises, under the direction of the client.

¹⁴ None of the respondents which operated a competitive tendering process for the supply of marketing communication services received a formal bid from Accenture.

¹⁵ For more information, please see: <https://www.iapi.ie/members>



Accenture develops techniques with clients to gather data on the client's customers, e.g., through a cookie ID match based on customer data. For the financial year ending 31 August 2017, Accenture generated revenue of approximately €[...] in the State in relation to market research services and media measurement services.

30. There are a number of suppliers currently active in the supply of data analytics services in the State, e.g., DDFH&B Limited, Publicis Group Media Limited, Daring Boys and Girls Limited, Cawley Nea Limited and Irish International Production Limited. Following implementation of the Proposed Transaction, these competitors will continue to act as a competitive constraint on Accenture in the potential market for the supply of data analytics services in the State.
31. For the reasons set out above, the Commission considers that the Proposed Transaction will not substantially lessen competition in the potential market for the supply of data analytics services in the State.

Vertical Relationship

32. There is currently no supply arrangement between Accenture and the Rothco Group in the State. Following completion of the Proposed Transaction, there is potential for a vertical relationship between the parties if the Rothco Group were to provide marketing communication services and data analytics services to Accenture in the State. Furthermore, following completion of the Proposed Transaction, there is potential for a vertical relationship between the parties if Accenture were to provide management consultancy and professional services to the Rothco Group in the State.
33. The Commission considers that, following implementation of the Proposed Transaction, there will remain a sufficient number of competitors and customers in all markets in which both Accenture and the Rothco Group currently compete, and, as such, the Proposed Transaction does not give rise to any vertical competition concerns in the State.

Conclusion

34. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

35. Clause 7 of the SPA contains a number of restrictive obligations including non-solicitation and non-compete obligations on the Vendors. The duration of these non-solicitation and non-compete obligations does not exceed the maximum duration acceptable to the Commission.¹⁶ The Commission considers these non-compete and non-solicitation obligations to be directly related to and necessary for the implementation of the Proposed Transaction insofar as they relate to the State.

¹⁶ In this respect, the Commission follows the approach adopted by the EU Commission in paragraphs 20 and 26 of its "Commission Notice on restrictions directly related and necessary to concentrations" (2005). For more information see [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN)



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby Accenture Limited, an indirect subsidiary of Accenture plc, would acquire the entire issued share capital of Rothco Holdings Designated Activity Company and thus sole control of the Rothco Group, comprising two Irish-incorporated trading companies, namely, Rothco Unlimited Company and Tadata Creative Unlimited Company will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh
Member
Competition and Consumer Protection Commission