



Case summary

1 March 2021

Acquisition of Signavio by SAP cleared

Sector: Business process management software

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The Bundeskartellamt has cleared the planned acquisition of Signavio GmbH (Signavio) by SAP SE (SAP) in the first phase of merger control. The authority's investigations showed that the merger was not expected to significantly impede effective competition.

SAP is a major supplier of enterprise application software (EAS) with a particularly strong focus on enterprise resource planning software (ERP). Signavio is a German provider of B2B process management software solutions. The parties offer complementary products.

With regard to the products offered in the market for process management software, the two segments of process mining and enterprise business process analysis (EBPA) were mainly affected. Process mining software analyses event logs in order to identify processes taking place within a company, visualise their current state and detect potential for improvement. The software uses data from the ERP system and other sources. EBPA software is used to define and model the target state of processes to increase the efficiency of business processes. There are software solutions that cover only one of the two segments and holistic solutions covering both areas of application. Signavio for example offers a comprehensive solution for all areas of application as well as an independent software. The reason why separate product markets were assumed to exist was that customers often require a solution for only one specific area. However, the exact product market definition could ultimately be left open since it was not relevant for the decision in this case. The definition of the geographic market could also be left open.

The merger project was not expected to significantly impede effective competition pursuant to Section 36(1) sentence 1 of the German Competition Act (GWB). In particular, the merger was not expected to create or strengthen a dominant market position.

Horizontal effects could be ruled out because there are no overlaps between the software products offered by the parties. Signavio offers solutions both in the area of process mining and EBPA and is thus exposed in both product areas to substantial competitive pressure from other suppliers. SAP does not have its own offer either in the area of process mining or EBPA but exclusively acts as a reseller of Celonis' process mining software. Celonis is generally seen as the market leader in process mining.

The merger was also not expected to have vertical effects. Relevant vertical effects could be ruled out because the process management products offered by Signavio are usually not an integral element of a more comprehensive EAS or ERP solution. In fact process mining products and EBPA products are used as complementary services for EAS and ERP solutions and are only procured in case of specific requirements. For this reason a supplier of EAS / ERP products does not necessarily need to have such process management products available to sell its own products. Moreover, in addition to Signavio there are many other providers of process mining and EBPA products. The merger was therefore not expected to foreclose access to input.

As the parties offer complementary software products, it was important to determine whether tying or bundling SAP's ERP software with Signavio's process management software could impede effective competition. Firstly, the merging company must have sufficient market power on the ERP market in order to impede current competition or prevent the entry of potential competitors to the market for process management software.

The surveys conducted among the market participants have shown that the requirements an ERP software product must fulfil differ greatly according to the size of the company and that the market for ERP software could therefore be further divided. Small companies only use ERP software for selected business operations. Large businesses, on the other hand, often model their entire value added process on the ERP system and so place high functional requirements on the software. The market participants surveyed by the Bundeskartellamt regard SAP's position in the ERP market for large businesses as very strong. SAP's position is also strengthened by a so-called lock-in effect. Switching to another ERP system, at least in the case of large companies with complex processes, involves extremely high investment of time and resources. This includes costs for implementation, process consulting, system adaptation and staff training. Due to the high barriers to switching providers, a short or medium-term change to another ERP provider is practically impossible in the view of SAP customers. In this respect customers are tied to SAP once they have implemented SAP's ERP system.

Tying would be feasible e.g. by pre-installing the BPA and process mining software in SAP's EAS. Moreover, discount could be granted for the procurement of EBPA and process mining software

combined with another EAS software. Furthermore, other providers of process management software could be disadvantaged by restricted access to the SAP system and the data stored in the system.

In particular, it is possible to successfully use a tying and bundling strategy if specific products are usually purchased as a bundle. However, this was not the case. So far process mining and EBPA products are procured separately and not combined with ERP software. The customers surveyed by the Bundeskartellamt do not intend to deviate from this strategy in future simply because the products could possibly be offered as a bundle. It was therefore to be expected that SAP customers will continue to consider other process management software products even after SAP's acquisition of Signavio. The procurement of other process management software products could only be prevented if their technical interoperability was limited to such an extent that SAP ERP customers would technically not be able to use them. In this case SAP customers could only install another process management software after changing their ERP system, which is very unlikely because of the lock-in effect described above. The Bundeskartellamt's investigations have shown that in the view of the market participants, Signavio's software, in particular for process mining, does not currently meet all the requirements of the customers and that other providers have to be seen as stronger competitors. It therefore did not seem very likely that post merger SAP would technically prevent the use of another process management software.

Another factor which had to be considered in the assessment of the merger was that Celonis is a strong competitor in the area of process mining. The survey of market participants showed that Celonis is generally seen as the market leader in process mining. Due to Celonis' strong position, in particular, it did not seem very likely that SAP would be able to squeeze third providers out of the market with bundled offers. The customers surveyed also saw no indication that the merger would restrict competition in this market. Instead some customers welcomed the merger because of the possibility that SAP could end its partnership with Celonis after acquiring Signavio, forcing Celonis to again compete more strongly for customers.

It was also unlikely that Signavio's competitors would be disadvantaged by potential fees for indirectly using SAP's ERP system. Fees can generally be applicable for the access of third-party applications to SAP's ERP system under the SAP "Digital Access Model" licence agreement which do not apply to the use of SAP's own software or the software of selected partners. These fees can make third-party applications unattractive compared with the use of SAP's own software or partner software. However, fees for the indirect use of the software are only applicable if certain operations in SAP's ERP system are triggered. Process management software accesses data in

the ERP system but only requires simple scanner access for which no fees for indirect use are applicable. This was explicitly confirmed by SAP.

In the final analysis the merger was not expected to significantly impede effective competition within the meaning of Section 36(1), sentence 1 GWB.