

Case summary

12 March 2021

Acquisition of Slack by Salesforce cleared

Sector: Collaboration tools, CRM software

File number: B7-32/21

Date of decision: 25 February 2021

The Bundeskartellamt has cleared the planned acquisition of Slack Technologies Inc. (*Slack*) by salesforce.com, inc. (*Salesforce*) in the first phase of merger control. The investigations have shown that the acquisition project was not expected to significantly impede effective competition.

Salesforce is one of the leading providers of customer relationship management software (CRM) based in San Francisco. Slack, which is also based in San Francisco, offers enterprise collaboration software that allows users to share direct and channel-based group messages and documents and enables voice and video calls throughout an organisation. The products offered by Salesforce and Slack overlap only marginally in their functionality and are generally to be classified as complementary in the area of business application software.

CRM solutions allow businesses to manage, control and improve their relationships with customers. In essence, these products are database applications that make it possible to store all contact information and customer data in a structured way. This helps, for example, with identifying and managing sales opportunities, coordinating marketing and customer retention measures and providing customer support. Owing to widely differing business needs, a whole range of CRM software solutions exist. They usually comprise several components and often also allow other enterprise application software to be integrated via interfaces. In their previous merger control practices the Bundeskartellamt and the European Commission deliberated several times whether the market for CRM software was to be further divided e.g. based on the software's functions, the sectors or industries in which it is used, the buyers' company size or based on whether the software is offered as a software suite or individual solution or whether the solution is an on-demand cloud or on-premise solution. In previous cases and in the case at hand, the question as to whether it would be useful to further subdivide the market for CRM solutions was irrelevant for the authority's decision and could therefore be left open.

It would be possible to include the collaboration tool offered by Slack in a market for business communication tools. This market would cover all products and services used by businesses of various sizes to communicate within the company and with third parties via various channels (email, telephone, video calls, instant messaging, etc.). Since Slack's product is not only used for communication purposes but, by making it possible to access documents and data, also simplifies project management and coordination, enables the exchange of files and altogether optimises processes, this product could also be included in a related market for communication and collaboration tools, which would possibly form a separate submarket for enterprise application software. The question of the exact market definition was, however, also irrelevant for assessing the present case under competition law. In geographical terms, it was assumed that both the market for CRM solutions and the market for collaboration tools were likely to extend beyond Germany; however, this question was ultimately also irrelevant for the decision and could 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.

The horizontal effects of the merger remain marginal. It is true that individual applications provided by Salesforce also offer limited communication functions or the possibility to jointly work on documents and tables, but these functions are very limited compared with Slack's products and, all in all, Salesforce's applications do not enjoy greater market significance.

The conglomerate effects of the merger are not likely to significantly impede effective competition either. Salesforce is indeed a very strong provider of CRM solutions, but there are other important competitors so that Salesforce could at best be considered to already hold a dominant position in special subsectors only. As far as can be seen, Salesforce's market position in Germany is not as strong as in other regions. In addition, there is no particularly close link between Slack's main product and the content of CRM solutions, which is why the customer circles overlap only to a limited extent. The investigations have shown that in the companies surveyed in Germany the individual business units usually decide whether to purchase such products. Team collaboration products serve an entirely different need which is generally not connected to CRM, and the range of possible solutions is currently much wider than that of CRM software. Some businesses still only use email and dedicated applications for video calls while other businesses are already much more advanced when it comes to exchanging content via collaboration tools.

All in all, the Bundeskartellamt's investigations have shown that, should Salesforce offer Slack as an integrated component of its products, some customers might see this as an attractive add-on

but it is unlikely to play a decisive role in the purchase decision. The merger is therefore not expected to create a dominant position for Salesforce. Neither is the merger expected to significantly change Slack's competitive position through the transfer of market power from Salesforce in a way resulting in the creation of a dominant position since there are a number of other providers offering business communication software and collaboration tools. Among them is, in particular, Microsoft Teams which has significantly more daily active users (DAU) than Slack and, as a component of Office 365, is widely used. The investigations have shown that the customers surveyed in Germany use Slack in various ways, partly only in specific business units, and usually also together with other communication tools such as Microsoft Teams, Facebook Workplace or applications offered by smaller providers. In addition, the communication and collaboration software sector is currently developing in a very dynamic way so that any potentially conceivable bundling strategies pursued by the parties are likely to result in competitive reactions by other large providers of enterprise application software, such as Microsoft, Google or Cisco, and various competitive moves are in any case expected in this regard. All in all, Slack cannot be assumed to hold a dominant position at present nor is the merger expected to create such a dominant position.

The merger project is also not expected to significantly impede effective competition even if the application's interoperability were to be limited. In the context of the merger project, the parties involved have publicly stated on several occasions that both businesses are committed to an open software architecture and that a stand-alone version of Slack will still be available. Based on the results of the Bundeskartellamt's investigations, these statements are reliable since Salesforce in particular is known for its open platform architecture. It is possible that limiting the possibilities to integrate Slack may constitute a competitive disadvantage for smaller CRM providers but the overall effect on the competition situation as such would, however, not be great enough to result in the merger significantly impeding effective competition. At least in Germany, Slack's overall market significance is still too small at present and its use is not related closely enough to the content of CRM solutions as to mean that Salesforce is acquiring an additional application that is essential for its economic success in the CRM sector. Lastly, other companies would be expected to react competitively as outlined above.