



**Determination No. M/04/024 of the Competition Authority, dated 20 May 2004, under Section 21 of the Competition Act, 2002**

**Notification No. M/04/024 – The proposal by CMGI, Inc to acquire Modus Media, Inc.**

**Introduction**

1. On 22 April 2004 the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposal whereby CMGI, Inc ("CMGI") would acquire Modus Media, Inc ("Modus") ("the proposed acquisition").
2. The proposed acquisition is global in nature and was notified to the United States Federal Trade Commission ("FTC") on 15 April 2004. The FTC subsequently cleared the proposed acquisition on 23 April 2004.

**The Parties**

3. CMGI, the acquirer, is a global provider of technology and e-commerce solutions that assist businesses in the marketing and supply of their products and services. CMGI also invests in technology-based ventures. CMGI is incorporated and headquartered in the United States and has operating facilities in the United States, Mexico, the Netherlands, Ireland, Singapore, Taiwan and Malaysia.
4. In its 2003 Annual Report, CMGI summarises its business activities as follows:  

"CMGI ... provides technology and e-commerce solutions that help businesses market, sell and distribute their products and services. CMGI offers targeted solutions including industry-leading global supply chain management and web-based distribution and fulfillment. CMGI's ... subsidiaries [focus] on technology and supply chain management services, as well as the strategic investment in other companies ... CMGI's eBusiness and Fulfillment companies work across the full eBusiness value chain to deliver goods from the manufacturer to the customer by applying state-of-the-art technology to provide inventory and supply chain management, and fulfillment services."
5. CMGI's subsidiary, SalesLink Corporation ("SalesLink") provides services to businesses for their marketing, manufacturing and distribution programmes. Saleslink's services involve global supply chain management and co-ordination of product packaging, assembly, print management, electronic order processing, procurement of components, direct fulfillment of software, distribution services, and inventory management. SalesLink also offers planning services to help



its clients optimise product forecasts and minimise inventory investments. SalesLink provides its supply chain management services and solutions directly and through a subsidiary company, SL Supply Chain International Corp ("SL Supply Chain").

6. Saleslink carries on business in Ireland through Saleslink Solutions International Ireland Ltd ("Saleslink Ireland), a joint venture undertaking in which Saleslink holds 50%.
7. Modus, the target, operates an integrated network of 21 facilities located in the US, UK, France, Ireland, Hungary, the Netherlands, China, Malaysia, Singapore, Taiwan and Mexico. Its major clients include Adobe, Cisco, Dell, Intuit, Microsoft, Network Associates, SBC, Sony and Sun. Modus has two operating subsidiaries in Ireland, MMI Kildare and MMI Dublin.
8. Modus describes its activities as the provision of a variety of customised outsource solutions, including global supply chain management services. Modus' services include e-commerce services, financial management, product assembly, multi-channel fulfilment, reverse logistics, customer care, reporting and analysis, warehousing and inventory management, content manufacturing, Microsoft authorised replication services, end-user management and systems integration.

## **Analysis**

9. The commercial rationale of the proposed acquisition is to allow CMGI and Modus, as a merged entity, to achieve cost-saving synergies in IT infrastructure and operations as well as broader global capabilities.
10. "Supply chain management" is the principal sector in which CMGI and Modus compete horizontally. Supply chain management is a method of improving, through analysis and design, a business' processes for the production and distribution of its goods and services. This system of streamlining includes business-wide information sharing, planning, resource organisation and global performance measurements.
11. The relevant geographic dimension for supply chain management services appears to be global, as the principal suppliers operate on a worldwide basis. Further, on the demand-side, acquirers of such services are mainly businesses with international presence. As indicated above, Modus' major clients are all IT companies with a global presence, whilst CMGI, in its 2003 Annual Report, states that a *"limited number of customers account for substantially all of the Company's consolidated net revenue. One customer, Hewlett-Packard, accounted for approximately 74%, 12% and 3% of the Company's consolidated net revenue for fiscal years 2003, 2002 and 2001, respectively. Nearly all of the revenues of SL Supply Chain are accounted for by sales to Hewlett-Packard and Microsoft and of Microsoft products. Similarly, nearly all of the revenues of SalesLink*



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*are accounted for by sales to a limited number of customers ... CMGI believes that it will continue to derive the vast majority of its operating revenue from sales to a small number of customers."*

12. In 2003 CMGI's total sales in Ireland were just under [ ]. Modus' sales in Ireland totalled [ ], whilst Modus' sales made from Ireland to customers overseas totalled [ ].
13. CMGI provided estimates of shares in the Irish sector of the supply chain management industry, as follows:

<b>Company</b>	<b>(approx.) Market Share</b>
Banta Corp	[ ]%
Sercom Solutions	[ ]%
IEC	[ ]%
Modus	[ ]%
Exel	[ ]%
Zomax	[ ]%
CMGI	[ ]%
Others	[ ]%

14. The companies listed above are all global providers of supply chain management services. Further, both Exel and Zomax have significant physical presence in Ireland, with Dublin-based facilities and employees. Even assuming a narrow product market, defined as 'supply chain management', the present industry structure does not indicate that the proposed acquisition would result in the creation of market power, as a sufficient number of alternative suppliers would remain to ensure effective competition.
15. Further, CMGI currently has such a minor presence in the Irish sector of the supply chain management industry (confirmed by its relatively low total sales in Ireland for 2003), that concentration would not be affected to any significant extent by its acquisition of Modus.

### **Determination**

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the proposed acquisition by CMGI, Inc of Modus Media, Inc. will not result in a substantial lessening of competition in any market for goods and services in the State and, accordingly, that the acquisition may be put into effect.

### **For the Competition Authority**

**Edward Henneberry**  
**Member of the Competition Authority**