



## **DETERMINATION OF MERGER NOTIFICATION M/09/017 - SPSS INC/IBM CORPORATION**

---

### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by IBM Corporation of SPSS Inc.**

**Dated 3 September 2009**

---

### **Introduction**

1. On 10 August 2009, 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 IBM Corporation ("IBM") would acquire sole control of SPSS Inc. ("SPSS") through the acquisition of the entire shareholding in SPSS.
2. The proposed transaction will result in the merger between a wholly-owned subsidiary of IBM, Pipestone Acquisition Corp. ("Pipestone") and SPSS. Following completion of the proposed transaction, the new SPSS will become a wholly-owned subsidiary of IBM.

### **The Undertakings Involved**

#### *The Acquirer*

3. IBM is active worldwide in the development, production and marketing of Information Technology ("IT") solutions. These IT solutions include software, systems (servers, storage systems, software) and services (business consulting and IT infrastructure services). Companies use these IT solutions to better manage their IT environments and to deliver new services to their customers, employees and business partners. As part of its IT solutions, IBM provides a limited amount of predictive analytic software including advanced analytics software ("AAS")<sup>1</sup>, end-user query, reporting, and analysis ("EQRA") software<sup>2</sup> and marketing applications ("MA") software<sup>3</sup>.
4. In the State, IBM's activities are carried out through IBM Ireland Limited ("IBM Ireland"), a subsidiary of IBM. IBM Ireland has a sales and marketing business, manufacturing businesses, a software group

---

<sup>1</sup> AAS includes (i) data mining and statistical software; (ii) technical, econometric, and other mathematics-specific software; and, (iii) a specialized form of statistical software focused on functional areas such as the industrial design of experiments, clinical trial testing, exploratory data analysis, and high-volume and real-time statistical analysis.

<sup>2</sup> EQRA software includes (i) *ad hoc* query and multidimensional analysis tools; (ii) dashboards and production reporting tools; and, (iii) packaged data marts, which are preconfigured software combining data transformation, management, and access in a single package.

<sup>3</sup> MA software automates a wide range of individual and collaborative activities associated with the various dimensions of the marketing process. These dimensions include, among others, ad management/placement, campaign planning and management, electronic catalogue, event/trade show management, media and analyst relations, customer survey and web advertising.

and software development laboratory, a telesales and marketing centre, an international banking solutions unit and a corporate treasury centre.

### *The Target*

5. SPSS is mainly active in the development and distribution of predictive analytics software and solutions. SPSS' software products enable customers to (i) access and prepare data for analysis, (ii) develop and deploy predictive models and (iii) generate reports and graphs to present the results. SPSS predictive analytics software products include AAS, EQRA and MA.
6. SPSS does not have a physical presence on the island of Ireland. However, SPSS has entered into a franchise arrangement with SPSS Ireland Limited (SPSS Ireland), a company located in Dublin. SPSS does not have any interest in SPSS Ireland. SPSS Ireland exclusively sells SPSS' software products in the State. However, customers in the State can purchase SPSS' software products as well from suppliers outside the State.

### **Analysis**

7. The activities of the parties overlap in the supply of AAS, EQRA and MA. The parties submitted that the result of the proposed transaction will not be to substantially lessen competition in any market for goods or services in the State due to (i) the minimal overlap in their activities, (ii) the worldwide scope of the markets for the supply of AAS, EQRA and MA and (iii) the existence of sufficiently strong competitors.
8. In order to determine whether the proposed transaction is likely to raise any competition concerns and therefore result in a substantial lessening of competition in any markets for goods or services in the State, the Authority examined the degree of horizontal overlap between the activities of the parties in the State.
9. With respect to the State, the parties submitted that specific market share data is not available as suppliers of software products operate on a global basis.<sup>4</sup> However, the parties submitted that their market shares in the State would not be significantly different from those in the region comprising Europe, Middle East and Africa ("EMEA").
10. The parties provided worldwide and EMEA market shares figures based on IDC data.<sup>5</sup> The IDC data is presented in Table 1 below. This table shows that the increase in IBM's market share worldwide and in EMEA in respect of the supply of each of AAS, EQRA and MA following the completion of the proposed transaction would be minimal.

---

<sup>4</sup> The Authority's market enquiries support this view.

<sup>5</sup> Source: IDC data. IDC is a market research and analysis firm specializing in IT, telecommunications and consumer technology. IDC tracks the IT industry and provides industry-wide share of sales data of companies involved in this sector.

**Table 1: Market Shares of the Parties Worldwide and EMEA**

<b>AAS</b>			
<b>Geographic area</b>	<b>IBM</b>	<b>SPSS</b>	<b>Combined</b>
Worldwide	0.36%	14.76%	15.12%
EMEA	0.26%	13.77%	14.03%
<b>EQRA</b>			
<b>Geographic area</b>	<b>IBM</b>	<b>SPSS</b>	<b>Combined</b>
Worldwide	13.79%	0.35%	14.14%
EMEA	12.85%	0.38%	13.32%
<b>MA</b>			
<b>Geographic area</b>	<b>IBM</b>	<b>SPSS</b>	<b>Combined</b>
Worldwide	0.10%	1.29%	1.39%
EMEA	0.13%	1.64%	1.77%

11. The parties also noted that there are strong alternative suppliers of AAS, EQRA and MA who will constrain the ability of IBM to exercise market power post-acquisition. For example, in respect of the supply of AAS, SAS Institute Inc. has a worldwide market share of approximately 34.4%. In respect of the supply of EQRA, SAP AG, Oracle and SAS Institute Inc. have worldwide market shares of approximately 28.4%, 11.4% and 6.7%, respectively. In respect of the supply of MA, there are 14 suppliers with shares higher than those that will be held by IBM.
12. The investigation carried out by the Authority confirms the parties' claim that the geographic scope for software products is wider than the State. Customers of the parties informed the Authority that the location of the suppliers of software products is not relevant if the product meets the customers' requirements and the end users of the product are satisfied with its performance. An important factor is having customer support available in the same time zone as the purchaser in order to ensure that technical supports are obtained in a timely manner. Customers located in the State acquire software products from suppliers based outside the State.
13. On the basis of the above, the Authority is of the opinion that the proposed transaction is unlikely to give rise to any competition concerns in any market for goods or services in the State:

#### **Ancillary restraints**

14. Certain shareholders of SPSS have entered into agreements that include non-competition provisions with IBM with duration of up to two years from the completion of the proposed transaction. The Authority considers that these restrictions to be directly related and necessary to the implementation of the proposed transaction.

**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 acquisition whereby IBM Corporation will acquire sole control of SPSS Inc. 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 Authority

Dr Stanley Wong  
Member of the Competition Authority