

***Case No COMP/M.5699 -
ADECCO/ MPS GROUP***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 17/12/2009

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EUROPEAN COMMISSION

Brussels, 17/12/2009

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.5699 – Adecco/ MPS Group
Notification of 18.11.2009 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 18 November 2009, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 ("the Merger Regulation") by which the undertaking Adecco S.A. ("Adecco", Switzerland) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking MPS Group Inc. ("MPS", USA) by way of a public bid.

I. THE PARTIES

2. Adecco is an international provider of temporary and permanent employment services active throughout the entire range of sectors in Europe, the Americas, the Middle East and Asia.
3. MPS is a US-based provider of professional staffing solutions in the disciplines of information technology ("IT"), accounting and finance, law, engineering, marketing and creative, property and healthcare. It is active in several European countries, and in particular in the UK.

¹ Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings, OJ L 24, 29.1.2004 p. 1.

II. THE TRANSACTION AND THE CONCENTRATION

4. The operation concerns the acquisition by Adecco of sole control over MPS by way of a public bid for 100% of the issued share capital of MPS. The transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

5. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 billion (EUR [...] million for Adecco and EUR [...] million for MPS). Each of the undertakings concerned have a Community-wide turnover in excess of EUR 250 million (EUR [...] million for Adecco and EUR [...] million for MPS). Adecco does not achieve more than two thirds of its Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension pursuant to Article 1(2) of the Merger Regulation.

IV. RELEVANT MARKET

6. The activities of Adecco and MPS overlap in the following business segments:²
 - (i) Provision of temporary employment services ("TES"), i.e. posting of temporary workers to user firms for a temporary period of time;
 - (ii) Provision of permanent employment services ("PES"), i.e. posting of workers who are expected to remain permanently employed by the user firm; and
 - (iii) Managed solutions providers ("MSP") services, i.e. managing a defined part of the recruitment process of temporary workers on behalf of the user firm.

A. Market for the provision of TES

Relevant product market

7. The parties submit that the relevant product market is that for overall TES, i.e. including postings of temporary workers to all industry segments. According to the parties this is mainly due to a large supply-side substitutability whereby temporary agencies are able to supply workers irrespective of the industry segment. However, the parties provided the assessment on the basis of the narrowest possible market definitions, i.e. individual segments of the TES market.
8. The Commission has in its previous decision practice concluded that there is a separate product market for the provision of TES which is distinct from the provision of PES due to the type of service offered by TES suppliers to user firms (e.g. training services), the long-lasting relationship that TES suppliers establish with job seekers, as well as the

² No significant horizontal overlap arises in relation to the provision of supply of software associated with TES and other employment services (i.e. VMS/ATS/TMS software) which the parties consider as an ancillary market to employment services. While MPS offers its own software to TES customers, Adecco does not have a software solution of its own but relies on third-party software providers who license such software to the relevant TES customer. The parties submit that any fees collected by Adecco from the provision of third-party software are small and that MPS' market share resulting from the supply of such software is below [0-5%] both at EEA level and at national level.

differences in the legal and regulatory requirements covering permanent and temporary employment.³ The parties have endorsed this distinction in the present case.

9. With respect to a possible sub-segmentation of the TES market, the Commission has previously left open the question whether the TES market should be further subdivided according to the level of education of temporary workers into a market for general staffing which would include the traditional, generalist sector, and a market for professional staffing which would include higher educated and specialised staff.⁴ A possible further sub-segmentation of general staffing into specialised segments for office & administration (e.g. secretarial and clerical staff) and industry (e.g. technical and engineering staff) has been left open.⁵ Similarly, the question of further segmenting the professional staffing market by reference to the specialisation of workers (e.g. IT, Engineering/Technical, Finance/Legal, Medical/Science) has also been left open.⁶
10. The parties argue that no such distinction of the overall TES market is relevant in the present case as despite a certain level of specialisation, all agencies are in a position to supply all types of workers. However, many respondents to the market investigation argued that the TES market should be further segmented into a market for general staffing and a market for professional staffing due to the specific skills required for the recruitment of professional staff. Indeed, the recruitment processes and fee structures with respect to general and professional staffing are different. Furthermore, also the fact that MPS itself is not active in the general staffing segment in any Member State illustrates that a distinction between general and professional staffing might be necessary.⁷
11. Similarly, the results of the market investigation suggest that it may be necessary to further sub-segment the professional staffing market according to the specialisation of workers (e.g. IT, Engineering/Technical, Finance/Legal, Medical/Science). This would be mainly due to the specific competencies and knowledge required for the recruitment of professionals in different segments, in particular as concerns the consultants responsible for evaluating and selecting the candidates. Several respondents also underlined that while in theory there are little barriers to entry/expansion in a new segment, there are a number of specialised "niche" players present in each particular segment which are recognised by the customers as experts in their domain.
12. In any event, it is not necessary for the purpose of the present case to conclude on the precise product market definition with respect to the TES market, as the proposed transaction does not give rise to serious doubts as to its compatibility with the internal market under any possible market definition.

Relevant geographic market

³ Case No IV/M.765 – Adia/Ecco; Case No COMP/M.5009 – Randstad/Vedior; Case No COMP/M.5626 – Adecco/Spring. It can be left open in the present case if such a TES market also includes project-based activities and secondments: While Adecco achieves a small part of its turnover with project-based activities and secondments, MPS is not active in that segment.

⁴ Case No COMP/M.1476 – Adecco/Delphi; Case No COMP/M.1702 – Vedior/Select Appointments; Case No COMP/M.5009 – Randstad/Vedior; Case No COMP/M.5626 – Adecco/Spring.

⁵ Case No COMP/M.5626 – Adecco/Spring.

⁶ Case No COMP/M.1476 – Adecco/Delphi; Case No COMP/M.5626 – Adecco/Spring.

⁷ According to the parties, historically MPS has on rare, exceptional occasions provided general staff to a client as an incidental service, without however actively seeking to provide such services.

13. In line with previous Commission precedents in the TES sector, the parties submit that the relevant geographic market for TES is national in scope due to factors such as language differences, personal preferences regarding relocation of workers and differing legal and regulatory regimes across Member States.⁸
14. The market investigation largely confirmed that the geographic scope of the TES market (including its sub-segments) is national. While some of the bigger TES providers may be operating in a number of countries, customers typically continue to deal with these providers on a national basis due to the language barriers, specific requirements, different regulations and personal preferences of temporary workers regarding relocation. Similarly, the actual recruitment of temporary workers usually takes place at a national level and not on a pan-European or cross-border basis. While hiring of more specialised workers may go beyond national borders, this does not appear to be sufficient to counteract the language differences and differing legal and regulatory regimes between Member States in order to imply a wider than national market.
15. As a result, for the purposes of the present decision, the geographic market for the provision of TES should be considered as national.

B. Market for the provision of PES

Relevant product market

16. As indicated above, the Commission has in its previous decisions concluded that the market for PES constitutes a market separate from TES. Similarly to TES, the Commission has left open whether PES should be further subdivided according to the specialization of workers.⁹

Relevant geographic market

17. Similarly to TES, the geographic market for PES is likely to be national due to the language barriers, specific national requirements, different regulations and personal preferences of workers regarding relocation.
18. In any event, it is not necessary for the purpose of the present case to conclude on the precise product and geographic market definition with respect to the PES market, as the proposed transaction does not give rise to serious doubts as to its compatibility with the internal market under any possible market definition.

C. Market for the provision of MSP services

Relevant product market

19. As regards MSP services, the parties submit that such services refer to a broad variety of contractual arrangements for managing the supply of TES to user firms, i.e. the MSP service provider takes over a defined portion of the human resources functions of the user firm for the recruitment of temporary employees. Although this may involve the provision of additional functions in the value chain, the parties argue that MSP services

⁸ Case No COMP/M.1702 – Vedior/Select Appointments; Case No COMP/M.3872 – USG/Solvus; Case No COMP/M.5009 – Randstad/Vedior; Case No COMP/M.5626 – Adecco/Spring.

⁹ Case No COMP/M.5009 – Randstad/Vedior.

form part of the overall TES market and should not be considered as a separate product market that is vertically related to the TES market.

20. The results of the market investigation indicated that, contrary to the parties' submission, MSP may constitute a separate market, wider than TES. Such market would encompass the administration and management of the provision of temporary workers to which provision of TES is just an input.
21. In any event, it is not necessary for the purpose of the present case to determine whether the market for MSP is separate from the market for TES as the proposed transaction does not give rise to serious doubts as to its compatibility with the internal market under any possible market definition.

Relevant geographic market

22. As regards the geographic scope of MSP services, the parties submit that customers of MSP services typically deal with these providers on a national basis. The results of the market investigation suggest that the market for MSP services is likely to be national in scope although some respondents indicated that it may be wider.
23. In any event, it is not necessary for the purpose of the present case to conclude on the precise geographic market definition as concerns the market for MSP services as the proposed transaction does not give rise to serious doubts as to its compatibility with the internal market under any possible market definition.

V. COMPETITIVE ASSESSMENT

A. Market for the provision of TES

24. The concentration results in several horizontally affected markets in the area of TES.
25. In this regard, a distinction is to be drawn between the UK, where both Adecco and MPS hold a solid position in the area of professional staffing, and several other Member States where the transaction leads to affected markets but the parties' activities overlap only to a minimal extent.¹⁰ No overlaps arise in the area of general staffing as MPS is not active in that segment in any Member State.

France, Greece, Italy, Norway, Romania and Spain

26. The proposed concentration results in technically affected markets (i) on the overall TES market in France, Greece, Italy, Norway, Romania and Spain; (ii) on the professional staffing segment in France, Norway and Spain; and (iii) on the professional IT TES sub-segment in Norway. While the highest combined market shares are around [30-40%] in the overall TES markets in Norway and Greece, the increment brought about by the present transaction remains below [0-5%] in all markets at stake due to MPS' limited activities in these Member States.

¹⁰ In addition, the parties' combined market shares are below 15% in Austria, Belgium, the Czech Republic, Denmark, Finland, Germany, Ireland, Luxembourg, the Netherlands, Poland, Portugal and Sweden.

27. The market investigation confirmed both the very limited presence of MPS in these Member States as well as the existence of a sufficient number of alternative suppliers (including both international and local players) in these markets.¹¹
28. In light of these elements, the proposed transaction does not give rise to any serious doubts with respect to the French, Greek, Italian, Norwegian, Romanian and Spanish markets for TES or any of their potential (sub-) segments.

The UK

29. The only country in which Adecco's and MPS' activities overlap to an appreciable extent is the UK.
30. As is illustrated by the table below, the parties' combined market share remains relatively low in the market for overall TES ([5-10%]) and the professional sub-segment ([10-20%]). Affected markets however arise on the basis of a further sub-segmentation of professional staffing by specialisation, namely IT TES leading to a combined market share of [30-40%] (Adecco: [30-40%], MPS: [5-10%]) and finance/legal TES with a combined market share of [10-20%] (Adecco: [5-10%] MPS: [10-20%]).

Parties' combined market shares in the UK (2008)					
Service segment	Adecco turnover (Mio. EUR)	Adecco market share	MPS turnover (Mio. EUR)	MPS market share	Combined market share
TES	[...]	[5-10%]	[...]	[0-5%]	[5-10%]
Professional TES	[...]	[5-10%]	[...]	[0-5%]	[10-20%]
- IT TES	[...]	[30-40%]	[...]	[5-10%]	[30-40%]
- Finance/legal TES	[...]	[5-10%]	[...]	[10-20%]	[10-20%]

31. As regards the IT TES sub-segment, the parties submit that several important competitors will remain present in the UK such as for instance SThree ([10-20%]), Lorien Resourcing ([5-10%]), NetworkersMSB ([5-10%]), Randstad ([5-10%]), ECRM People ([5-10%]), Manpower ([5-10%]), Alexander Mann Solutions ([0-5%]), Rullion Computer Personnel ([0-5%]), Hays ([0-5%]) and Harvey Nash ([0-5%]).

¹¹ According to the Form CO, international players are notably Manpower (TES: [20-30%] in France, [10-20%] in Greece, [10-20%] in Italy, [10-20%] in Romania, [5-10%] in Spain; professional TES: [5-10%] in Spain), Randstad (TES: [10-20%] in France, [10-20%] in Greece, [5-10%] in Italy, [30-40%] in Spain; professional TES: [10-20%] in France; [10-20%] in Spain), USG People (TES: [10-20%] in Spain) and Hays (professional TES: [5-10%] in France, [20-30%] in Spain). The parties were unable to estimate market shares of their competitors in Norway. In 2008, MPS achieved a turnover of EUR [...] Million in Norway which corresponds to a market share of [0-5%] on the overall TES market in Norway.

32. Similarly, as regards the finance/legal TES sub-segment, the parties submit that their largest competitors are Hays ([20-30%]), Robert Half International ([10-20%]), Hudson Highland Group ([5-10%]), Robert Walters ([5-10%]), Michael Page International ([5-10%]), Randstad ([5-10%]), Reed ([5-10%]), Venn Group ([0-5%]), Alexander Mann Solutions ([0-5%]) and Manpower ([0-5%]).
33. The market investigation confirmed the existence of strong competition both in the overall TES segment and in particular in the professional sub-segments IT and finance/legal which were generally described by respondents to the market investigation as being highly competitive. Competitors of Adecco and MPS in these segments are both international players (such as Hays, Randstad, Manpower, etc.) and specialised players notably for IT TES (such as SThree, Lorien Resourcing, NetworkersMSB, etc.).
34. The parties further submit that they are not each other's closest competitors. In particular as concerns the IT TES segment, Adecco tends to focus on lower margin and higher volume contracts while MPS focuses on high margin, lower volume and ad hoc or preferred supplier appointments with clients. In the finance/legal TES segment, MPS Group focuses on high value work, such as the provision of senior finance and legal staff while Adecco does not focus on the representation of such individuals.
35. Most customers responding to the market investigation agree that Adecco and MPS are not each other's closest competitors as concerns the IT and finance/legal segments. This is also supported by the statements of several competitors and illustrated by the fact that it is uncommon for Adecco and MPS to figure together as two main suppliers of individual customers. Furthermore, only few respondents mentioned MPS and Adecco among the most important TES providers in the IT and the finance/legal segments in the UK respectively. Similarly, as regards tenders in the IT segment, the parties submitted data on first round bids in the UK between the years 2006-2008 which show that both parties have in most tenders not met the respective other party.
36. The TES market, including its potential sub-segments, is characterised by the fact that most customers select their suppliers via tendering procedures. The market investigation revealed that while framework contracts and bilateral negotiations are present in this market, most customers indeed organise tenders for the majority of their needs for temporary workers. In addition, tenders are often organised to only select an "approved"/"preferred" supplier, i.e. suppliers to which customers will turn when needing temporary workers. These tenders often result in a considerable number of "approved"/"preferred" suppliers, i.e. those from whom a customer will ultimately procure its TES needs. Moreover, being selected as an "approved" or "preferred" supplier does not necessary imply the provision of any turnover for the winning agency, as the potential turnover of the tender is to be shared at least with the other selected agencies. Therefore, competition remains even after the tendering stage. In view of the impact of competitive tendering in the TES sector in the UK, customers can thus easily take advantage of competing service offerings and switch amongst suppliers.
37. Switching of customers between several suppliers of TES is further facilitated by the fact that contracts are of a relatively short duration, mostly between one and three years. The market investigation revealed that switching between different suppliers is relatively easy, takes between three to six months and that switching costs might already be offset by lower prices offered by a competitor and other efficiencies. Any existing brand loyalty does not act as a significant deterrent for such a switching between suppliers. Indeed, the market investigation showed that price (among other parameters such as quality of the service) is one of the main factors taken into account by customers

when choosing a TES supplier, and such price considerations are generally considered as more important than the reputation of the brand of a TES supplier.

38. Barriers to entry and expansion have generally been confirmed to be relatively low. However, specific segments such as IT require specialised consultants with knowledge of the market and certain technical know-how to be able to preselect the appropriate candidates. While some competitors underlined the importance of industry knowledge and expertise, most competitors do not consider that substantial limitations exist for expanding into different segments.
39. Furthermore, many customers responding to the market investigation indicated that they use other forms of flexible labour, such as staff hired on short/fixed term contract, self-employed persons or freelancers, permanently employed staff used on a flexible basis (e.g. overtime, on call system), or that they manage the selection and recruitment process themselves through switching staffing requirements in-house ("backwards integration"). These forms of flexible labours act as a further competitive constraint upon the parties' activities in the UK.
40. In light of the above, no serious doubts arise as to the compatibility of the proposed transaction with the internal market as concerns the provision of TES in the UK or any of its potential (sub-) segments.

B. Market for the provision of PES

41. As concerns the market for PES, due to parties' very limited presence in this market, the parties' combined market shares remain well below 15% (reaching maximum [0-5%] in the UK) both at national and at EEA level. In addition, the market investigation did not raise any particular concerns in relation to the provision of PES.
42. In light of the above, no serious doubts arise as to the compatibility of the proposed transaction with the internal market as concerns the provision of PES services.

C. Market for the provision of MSP

43. As concerns the market for MSP, should such market be defined, the parties' combined market shares remain below 15% both at national and at EEA level.¹² In addition, the market investigation did not raise any particular concerns in relation to the provision of MSP.
44. In light of the above, no serious doubts arise as to the compatibility of the proposed transaction with the internal market as concerns the provision of MSP services.

¹² MPS does not provide MSP services in any Member State other than the UK.

VI. CONCLUSION

45. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission
(signed)
Neelie KROES
Member of the Commission