



EUROPEAN COMMISSION
DG Competition

***Case M.10385 - GENSTAR CAPITAL /
TA ASSOCIATES / 20-20 /
COMPUSOFT***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 09/11/2021

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EUROPEAN COMMISSION

Brussels, 09.11.2021
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PUBLIC VERSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

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**Subject: Case M.10385 – Genstar Capital / TA Associates / 20-20 / Compusoft
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹ and Article 57 of the Agreement on the European Economic
Area²**

Dear Sir or Madam,

¹ OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

² OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

- (1) On 1 October 2021, the European Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004, by which Genstar Capital Partners, LLC (“Genstar Capital”) and TA Associates Management, L.P. (“TA Associates”) will indirectly acquire, within the meaning of Article 3(1)(b) and 3(4) of the Merger Regulation, joint control over the combination of 20-20 Technologies, Inc. (“20-20”), currently solely controlled by Genstar Capital, and Compusoft AS (“Compusoft”), currently solely controlled by TA Associates (the “Transaction”).³ Genstar Capital and TA Associates are hereinafter collectively referred to as the “Notifying Parties”, and together with 20-20 and Compusoft as the “Parties”.

1. THE PARTIES

- (2) Genstar Capital is a private equity investment company focused on middle market businesses in financial services, healthcare, industrial technology and software industries.
- (3) TA Associates is a private equity investment company focused on businesses active in selected industries, including business services, consumer, financial services, healthcare and technology.
- (4) 20-20 provides software for professional designers, retailers and manufacturers in the interior design and furniture industries with applications allowing their customers to create, design, visualise, price and sell kitchens, bathrooms, closets and commercial offices to end-consumers.
- (5) Compusoft offers integrated software solutions that allow customers to provide services to end-consumers from design to installation of consumer/residential space and design projects.

2. THE OPERATION

- (6) The Transaction concerns the proposed acquisition by affiliates of Genstar Capital of all shares in Compusoft, the subsequent combination of Compusoft with 20-20 (resulting in the “Combined Entity”), and a re-investment into the Combined Entity by TA Associates.
- (7) More specifically, the Transaction will be implemented through the acquisition of all shares in, and control over, Soft Topco AS (“Soft Topco”), that indirectly solely controls Compusoft, by Consilio Midco Limited, a private limited company incorporated under the laws of England and Wales (“Consilio Midco”) that currently controls 20-20. Consilio Midco is currently indirectly wholly-owned and controlled by Consilio Topco Limited (“Consilio Topco”), currently directly controlled by Consilio Investment Holdings L.P. (the “Consilio LP” and, together with its subsidiaries, the “Purchaser Group”) which is currently in turn indirectly controlled by funds managed and advised by affiliates of Genstar Capital.

³ Publication in the Official Journal of the European Union No C 406, 08.10.2021, p. 6.

- (8) Part of the consideration for the Transaction will be settled by affiliates of TA Associates, which will also provide new equity funding to the Purchaser Group. In addition, certain members of the Compusoft management team will receive securities in the purchaser acquisition entities. Upon completion of the above, the Transaction will result in (i) certain members of the Compusoft management holding shares in Consilio Topco; and (ii) affiliates of TA Associates holding partnership interests in the Consilio LP.

3. THE CONCENTRATION

- (9) Upon completion of the Transaction, each of Genstar Capital and TA Associates will indirectly hold approximately 44% of Consilio LP, and will jointly control (via Consilio LP) the Combined Entity for the following main reasons:
- (a) affiliates of Genstar Capital and TA Associates can each appoint three members to the board of directors of Consilio LP, which will in total have seven members, including the CEO of Consilio Topco;
 - (b) affiliates of Genstar Capital and TA Associates will have the right, via Consilio LP, to veto key matters relating to the Combined Entity's activities, including the adoption of the annual budget and any material employment-related decisions concerning senior management.
- (10) Consequently, affiliates of Genstar Capital and TA Associates will have joint control within the meaning of Article 3(1)(b) and 3(4) of the EU Merger Regulation.
- (11) The Combined Entity will perform, on a lasting basis, all the functions of an autonomous economic entity and will constitute a full-function joint venture within the meaning of Article 3(4) of the Merger Regulation for the following main reasons:
- (a) the Combined Entity will supply visual CPQ software tools⁴, performing the functions normally carried out by competing undertakings operating in that same segment;
 - (b) the Combined Entity is intended to operate on a lasting basis, pursuant to an agreed term sheet that will be the basis of the yet to be completed shareholders agreement between the affiliates of Genstar Capital, TA Associates and certain members of the 20-20 and Compusoft management teams;
 - (c) the current management of 20-20 and Compusoft will jointly – as to be determined – run the Combined Entity on a day-to-day basis;
 - (d) the management will have access to sufficient resources including finance, staff, and assets (tangible and intangible) as demonstrated by the current operations of both 20-20 and Compusoft and will thereby be able to conduct

⁴ As described in more detail in Section 5.1 below, CPQ stands for “configure, price, quote”. Visual CPQ software enables the entire sales process of a given item (e.g. a kitchen) from visualisation of the desired product to providing an exact quotation of the cost to consumers.

on a lasting basis its business independently of Genstar Capital and TA Associates;

(e) the Combined Entity will continue to have its own access to and presence on the market, in which 20-20 and Compusoft operate now, and will continue to provide products to their third party customers.

(12) Therefore, the Combined Entity will constitute a full-function joint venture within the meaning of Article 3(4) of the Merger Regulation.

4. UNION DIMENSION

(13) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million (EUR [...] million). Each of Genstar Capital (including 20-20) and TA Associates (including Compusoft) have an EU-wide turnover of more than EUR 250 million (Genstar Capital: EUR [...] million, TA Associates: EUR [...] million).

(14) None of Genstar Capital (including 20-20) and TA Associates (including Compusoft) achieved more than two-thirds of their Union-wide turnover within one and the same Member State.

(15) Therefore, the Transaction has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

5. RELEVANT MARKETS

5.1. Introduction

(16) 20-20 is active globally in the provision of computer-aided design (“CAD”), visual configure, price, quote (“CPQ”) software and enterprise solutions dedicated to interior design, space planning and furniture manufacturing.⁵ 20-20 is primarily active in the US.⁶

(17) Compusoft is active in the provision of visual CPQ solutions for several retail and manufacturing industries.⁷ Compusoft is primarily active in the EEA.⁸

(18) Core CAD software is focused on the visualisation elements of design and offers technical drawing and modelling applications.

⁵ Affiliates of Genstar Capital do not control any other company that offers core CPQ software but do control portfolio companies that to a certain degree are active in the broader segment of Customer Relationship Management software, of which CPQ software is a sub-segment ([Genstar Capital’s portfolio companies]). None of these companies compete with 20-20 or Compusoft.

⁶ Form CO, paragraph 123.

⁷ A handful of TA Associates-controlled companies ([TA Associates’ portfolio companies]) are broadly active in the provision of Product Life Management software, but of these, the only company that competes, in the US, with 20-20 and Compusoft is Revalize.

⁸ Form CO, paragraph 123.

- (19) Core CPQ software enables customers to search for, and select, products and services to sell, configure product options and features, automate pricing of chosen products and services, negotiate terms and generate proposals.
- (20) Visual CPQ software is distinct from core CAD and core CPQ software because it enables the entire sales process from visualisation of the desired product to providing an exact quotation of the cost to consumers. Indeed, each of core CAD and CPQ software respectively only address one part of the process. For example, CAD software is focused on the visualisation elements of design, but lacks the ability to configure, price and quote different products. By contrast, core CPQ lacks a visual component.
- (21) In particular, the Parties' software solutions enable retailers and manufacturers to:
- visualise certain products (such as kitchen and bathroom fittings and furniture) within a given space;
 - configure output and volumes based on catalogues of individual products;
 - price the cost of a range of products and volumes and automate discounts and price adjustments in order to produce a customer quotation;
 - quote an accurate price to customers based on a bill of materials or a range of product categories.
- (22) While 20-20 and Compusoft offer some CPQ functionalities such as pricing alongside their main functionalities, neither one of them provides so-called core CPQ functionalities.
- (23) Visual CPQ software solutions for interior design are utilised by a wide range of retail, manufacturing and design & planning customers in connection with: (i) residential interior design (i.e., the design of parts of homes such as kitchen, bathrooms, furniture); and (ii) commercial interior design (e.g., office furniture including pantries, professional kitchens and dining spaces, retail shops and other common areas).
- (24) Within the visual CPQ software provision, 20-20 and Compusoft are active, to varying degrees, in a number of markets/segments related to interior design and planning of residential and commercial spaces such as the following industry verticals: (i) Kitchen & Bathrooms, (ii) Windows & Doors, and (iii) Furniture.

5.2. Visual CPQ software

5.2.1. Product market definition

5.2.1.1. The Commission's precedents

- (25) The Commission has not yet considered, from a product market definition perspective, the provision of visual CPQ software and its possible sub-segments.

- (26) In previous decisions, the Commission defined several distinct markets within the broad category of Enterprise Application Software (“EAS”). In particular, the Commission considered⁹ that the market for EAS solutions can be divided according to functionality with broadly similar purposes, including, among others: (i) Enterprise Resource Planning (“ERP”) software; (ii) Customer Relationship Management (“CRM”) software; and (iii) Product Lifecycle Management (“PLM”) software.
- (27) ERP software encompasses applications that manage the optimal use of enterprise resources such as employees, assets and finances. CRM encompasses applications that automate customer-facing business functions (i.e., sales, marketing, customer service and support, call centres and all the processes relating to the automation of sales). PLM software encompasses business software applications that support the end-user in managing the life cycle of its products.
- (28) In a number of cases, the Commission left open whether the market for **CRM software** could be further segmented by: (i) functionality of the software;¹⁰ (ii) industry sector in which the customer is active;¹¹ (iii) mode of deployment (installation on premises versus SaaS host-based deployment)¹²; and (iv) customisation (i.e., custom-build solutions as opposed to standardised software).¹³
- (29) In previous merger decisions¹⁴, the Commission left the product market definition for **PLM software** open but indicated that it might be appropriate to segment such market into specific segments for individual applications, in particular: (i) Digital Product Development (that comprises **CAD software**); (ii) Digital Manufacturing; and (iii) Product Data Management.
- (30) Finally, the Commission considered an additional distinction within PLM software between high-end and low-end solutions, but ultimately left this possible segmentation open.¹⁵

5.2.1.2. The Notifying Parties’ view

- (31) The Notifying Parties submit, in line with Gartner¹⁶, that core CPQ software is generally seen as a sub-segment of the CRM market.¹⁷ The Notifying Parties add that CAD is generally seen as a sub-segment of the PLM software market.

⁹ Case COMP/M.4944 – Oracle/Peoplesoft, paragraph. 18.

¹⁰ Cases COMP/M.4944 – SAP/Business Objects, paragraph 16; COMP/M.4987 – IBM/Cognos, paragraph 14; COMP/M.5904 – SAP/Sybase, paragraph 28; COMP/M. 7334 – Oracle/Micros, paragraph 14; COMP/M.7337 – IMS/Cegedim Business, paragraph 105.

¹¹ In Case M.8124 - Microsoft / LinkedIn (2016), the Commission concluded that, “*it appears that a segmentation of CRM software solutions on the basis of the customer’s size or industry sector is not relevant, given that, while there may be some differences in terms of demand, most customers have the same requirements and needs (irrespective of their size and industry), and all CRM providers appear capable to offer CRM software solutions to all types of customers*”.

¹² Case COMP/M.3978 – Oracle/Siebel, paragraph 16.

¹³ Case COMP/M.3978 – Oracle/Siebel, paragraph 16.

¹⁴ Cases COMP/M.4608 – Siemens/UGS Corporation, paragraph. 10; COMP/M.5763 – Dassault Systèmes/IBM DS PLM Software Business, paragraph 16.

¹⁵ Case COMP/M.5763 – Dassault Systèmes/IBM DS PLM Software Business, paragraph 17.

- (32) The Notifying Parties argue that: (i) core CAD solutions can be distinguished from visual CPQ software applications because core CAD solutions do not offer pricing and quoting capabilities; and (ii) core CPQ solutions are different from visual CPQ software applications because core CPQ solutions do not offer visualisation tools.¹⁸
- (33) The remainder of this section summarises the Notifying Parties' view on the relevant product market definition for visual CPQ software.
- (A) Segmentation of a relevant product market for visual CPQ software based on product characteristics
- (34) The Notifying Parties consider that the areas where competitors seek to distinguish themselves are the visualisation/CAD element of the software, usability, overall functionality and service levels. However, the Notifying Parties consider that most players competing for the customers serviced by Compusoft and 20-20 have reached similar standards in relation to these characteristics. Although different approaches and features exist across the various software solutions, they do not warrant a segmentation into high-end and low-end visual CPQ software.¹⁹ Additionally, the Notifying Parties indicate that the prices of the solutions offered by the various competitors are in a similar range, which further undermines a distinction between high-end/low-end offerings.²⁰
- (35) As a result, the Notifying Parties consider that it is not appropriate to distinguish visual CPQ software solutions by high-end and low-end offerings, which they submit is in any event not a distinction that is recognised by the industry more generally.²¹
- (B) Segmentation of a relevant product market for visual CPQ software based on according to industry verticals
- (36) The Notifying Parties submit that visual CPQ software can be used to design numerous items across various industry verticals, from machine and automotive parts to biotech and furniture or kitchen and bathroom components.²²

¹⁶ See Market Shares: All Software Markets, Worldwide, 2019, Gartner Market Statistics. Gartner, Inc, officially known as Gartner, is a technology research and consulting company providing services such as research, consulting, and conferences in the area of market benchmarks, rankings, and business metrics (see www.gartner.com).

¹⁷ Form CO, paragraph 95.

¹⁸ Form CO, paragraph 88.

¹⁹ Form CO, paragraph 101.

²⁰ Form CO, paragraphs 102 – 102.

²¹ Form CO, paragraph 104.

²² The Notifying Parties further argue that certain market players offer their visual CPQ software across a wide range of verticals. For instance, KB Max and Experlogix advertise their software solution to provide visual CPQ or CAD with CPQ functionality, inter alia for biotech, building supplies, manufacturing (i.e., machinery), kitchen & bathroom and furniture, heavy equipment, modular building, retail space, architecture and planning and automotive applications. Similarly, the Notifying Parties indicate that multiple software providers, including Compusoft, KB Max, Atlatl and Threkit have in the last few years started to refer to these software solutions applicable across the described wide range of industry verticals as visual CPQ.

- (37) According to the Notifying Parties, visual CPQ software solutions are fairly standardized, as the core functionality required by visual CPQ software solutions is the same regardless of the industry vertical in which the software is used.²³
- (38) Furthermore, customers across the various verticals have similar requirements, i.e. a software with broad design functionality that can provide configuration, quotation and pricing.²⁴
- (39) At the same time, the Notifying Parties note that, even if some competitors market their solutions for a broad spectrum of verticals (e.g. KBMax, Threekit, Experlogix), some software providers, like Compusoft and 20-20, focus on specific industry verticals, to which they direct their marketing efforts..²⁵
- (40) In any case, the Notifying Parties maintain that their software solutions can be used across the various industry verticals, as well as across the different spaces within residential design applications, because the functionality of the software does not differ significantly. The Notifying Parties note that what differs for the design of different products is the respective catalogue content, which can be accessed easily by software providers given that the relevant suppliers make their catalogues available for as many software solutions as possible.²⁶
- (41) As a result, the Notifying Parties take the view that a relevant product market for visual CPQ software should not be sub-segmented based on the industry verticals in which software solutions are used.

(B.i) Visual CPQ software for residential interior design applications

- (42) However, considering in more detail visual CPQ software for residential design applications, the Notifying Parties consider that, within such space, a distinction could be made between (i) kitchens, bathrooms and (other) furniture and (ii) windows and doors. This is because windows and doors are typically chosen at a different stage in a residential design project. The focus at that time is often more on architectural features and the exterior design of a building rather than on configuration of windows and doors based on the design of interiors. Thus, the customers for visual CPQ software relating to windows and doors tend to be different from the customers for visual CPQ software for kitchen, bathroom and furniture.²⁷
- (43) As a result, the Notifying Parties do not seem to disagree with a segmentation of visual CPQ software for residential design between (i) residential interior design applications (including bathrooms and furniture but not windows and doors); and (ii) residential exterior design applications (including windows and doors).

²³ Form CO, paragraph 100.

²⁴ Form CO, paragraph 105.

²⁵ Form CO, paragraph 107.

²⁶ Form CO, paragraph 109.

²⁷ Form CO, paragraph 112.

(B.ii) Visual CPQ software for kitchens and bathrooms

- (44) Within visual CPQ software for residential interior design applications, the Notifying Parties submit that kitchen and bathroom (“K&B”) furniture, rather than (other) furniture, has traditionally been the Parties’ focus, as K&B items are generally the most customisable and represent the highest cost in a project. Consequently, the demand for visual CPQ software for K&B is greatest among retailers in order to assist customers in purchasing decisions.²⁸
- (45) However, the Notifying Parties submit that visual CPQ software for K&B applications does not constitute a separate relevant market and instead it belongs to the broader relevant market for visual CPQ software for residential interior design space. The Notifying Parties consider that, from a supply-side perspective, there is very little differentiation between visual CPQ software for different interior design items. Moreover, on the demand side, the product offerings of retailers using the same visual CPQ software may comprise not only kitchens and bathrooms, but also furniture items.²⁹
- (46) As a result, the Notifying Parties take the view that a relevant product market for visual CPQ software for residential interior design applications does not need to be sub-segmented further and that no separate market exists for visual CPQ software for K&B.

5.2.1.3. The Commission’s assessment

- (47) The Commission considers that, for the purpose of this decision, visual CPQ software constitutes a separate market from core CAD and core CPQ software. As indicated in Section 5.1 above, visual CPQ software combines elements that are typical of core CAD and core CPQ software. By virtue of such combination, visual CPQ software can offer functionalities that go beyond those of core CAD and core CPQ software, allowing customers to manage the entire sales process from visualisation of the desired product to providing an exact quotation of the cost to consumers. Therefore, the Commission considers that, for the purpose of this decision, visual CPQ software is a distinct product from core CAD and core CPQ software.
- (48) As regards a possible segmentation of the relevant market for visual CPQ software based on product characteristics, the results of the market investigation suggested that, although functionalities can vary from one solution to another, the identification of separate relevant markets for high-end and low-end software is not warranted.³⁰ More specifically, competitors suggested that the level of complexity of functionalities and visualization requirements in the software depends on the customer’s profile and needs, but there is no clear-cut distinction between high-end and low-end visual CPQ software solutions.³¹ Therefore, the Commission considers that, for the purpose of this decision and in line with the Notifying Parties’ view, it is not necessary to sub-segment the relevant market for visual CPQ software based on product characteristics.

²⁸ Form CO, paragraph 114.

²⁹ Form CO, paragraph 114.

³⁰ Q1 – questionnaire to visual CPQ software competitors, replies to question 7 and Q2 – questionnaire to visual CPQ software customers, replies to question 6.

³¹ Q1 – questionnaire to visual CPQ software competitors, replies to question 7.1.1.

- (49) As regards a possible segmentation of the relevant market for visual CPQ software based on industry verticals (e.g. building products, medical devices and equipment, mechanical equipment, food service equipment, specialty vehicles, commercial design or residential exterior or interior design), the results of the market investigation were inconclusive. On the one hand, the majority of customers and a slight majority of competitors confirmed that the same visual CPQ software can be used by customers to design a broad range of different items and spaces.³² However, almost all competitors indicated that a supplier of visual CPQ software specialised in one industry vertical would not be able to start offering visual CPQ software for another industry vertical in a timely manner and at no significant costs.³³ In this regard, competitors pointed out that requirements are different and solutions for a given industry vertical can be very specific, for instance in terms of design and type of content that needs to be made available on the software.³⁴ In any case, for the purpose of the present decision, the Commission considers that it can be left open whether there is a relevant market for all visual CPQ software or separate markets for visual CPQ software based on industry verticals. Under both these plausible relevant market definitions, the proposed Transaction does not rise to serious doubts as to its compatibility with the internal market.
- (50) Residential interior design is one of the industries where visual CPQ software can be used. Both 20-20 and Compusoft offer visual CPQ software for residential interior design applications. The Commission has examined whether within visual CPQ software for interior design applications, a separate relevant market exists for visual CPQ software for K&B. During the market investigation, customers submitted that the same visual CPQ solution can be used to design different residential interior items including kitchens, bathrooms and other furniture.³⁵ On the supply side, one competitor noted that visual CPQ software providers usually specialise on only one or two residential interior items, e.g., kitchens.³⁶ However almost all competitors submitted that a supplier of visual CPQ solutions specialised on specific items within the residential interior design space (e.g., K&B) could start offering such software for other items (e.g., furniture) timely and at no significant costs³⁷ even if one competitor pointed out that K&B furniture is “*usually more complex, therefore more expensive*” compared to other furniture “*which needs less functionalities*”.³⁸
- (51) In that context, some competitors also pointed out that such switch between industry verticals may require some efforts as they considered that getting access to the relevant catalogue content for the new residential interior items is an important necessary step. However, no consistent and precise quantification of such efforts was provided.

³² Q1 – questionnaire to visual CPQ software competitors, replies to question 3 and Q2 – questionnaire to visual CPQ software customers, replies to question 4.

³³ Q1 – questionnaire to visual CPQ software competitors, replies to question 4.

³⁴ Q1 – questionnaire to visual CPQ software competitors, replies to question 4.1.

³⁵ Q2 – questionnaire to visual CPQ software customers, replies to question 5.

³⁶ Q1 – questionnaire to visual CPQ software competitors, replies to question 5.1.

³⁷ Q1 – questionnaire to visual CPQ software competitors, replies to question 5.

³⁸ Q1 – questionnaire to visual CPQ software competitors, reply to question 7.1.1.

- (52) In light of the above, the Commission considers that, for the purposes of this decision, it can be left open whether there is a relevant market for visual CPQ software for interior design applications or a separate market for visual CPQ software for K&B. Under both these plausible relevant market definitions, the proposed Transaction does not give rise to serious doubts as to its compatibility with the internal market.

5.2.1.4. Conclusion

- (53) In conclusion, for the purpose of the present decision, the Commission considers that it is not necessary to draw a distinction within visual CPQ software based on product characteristics. As regards the other possible segmentations, the Commission considers that, for the purpose of this decision, the product market definition in relation to the provision of visual CPQ software solutions can be left open, as the Transaction does not give rise to serious doubts as to its compatibility with the internal market regardless of whether there is an overall market for visual CPQ software applications, a market for visual CPQ software applications per industry verticals or a market for visual CPQ software applications for K&B.

5.2.2. *Geographic market definition*

5.2.2.1. Commission's precedents

- (54) In previous decisions, the Commission has never considered the geographic scope of a relevant market for the provision of visual CPQ software and its possible sub-segments. The Commission, however, has found that the relevant markets for EAS, for CRM and for PLM software solutions are at least EEA-wide in scope. This is because there are no significant differences in sourcing patterns or product requirements for customers in the EEA and the rest of the world. Customers are equally able to procure CRM and PLM software in the EEA as in the rest of the world.³⁹

5.2.2.2. The Notifying Parties' view

- (55) The Notifying Parties submit that, in line with the Commission's previous decisions on the CRM and PLM markets, the market for visual CPQ software and its various plausible sub-segmentations is worldwide or at least EEA-wide.⁴⁰
- (56) First, the Notifying Parties consider that customer demand and software products themselves do not vary substantially across different regions.⁴¹
- (57) Second, language differences do not generally pose an issue, as translating the relevant part of a software into an additional language does not require significant time. Likewise, including a sufficient amount of regional content through catalogues of the relevant regional manufacturers typically takes less than six months.⁴²

³⁹ See for example: Cases COMP7M.3978 – Oracle/Siebel and COMP/M.4944 – SAP/Business Objects.

⁴⁰ Form CO, paragraph 126.

⁴¹ Form CO, paragraph 119.

⁴² Form CO, paragraphs 120 – 121.

- (58) Third, it is not necessary for a visual CPQ software supplier to be physically present in a region in order to offer its software. The software can be downloaded from anywhere in the world and service support is typically provided online or via phone.⁴³ In any case, establishing a new team in a new geography does not require significant time and costs.⁴⁴ In that respect, the Notifying Parties explain that differences in the geographic footprint of software providers are mostly a matter of marketing and sales focus. These differences do not constitute evidence of barriers that would prevent players from offering visual CPQ software in different geographies.⁴⁵
- (59) In any case, the Notifying Parties submit that the relevant geographic market definition can be left open, because the Transaction does not give rise to competition concerns regardless of the precise geographic market delineation.⁴⁶

5.2.2.3. The Commission's assessment

- (60) The results of the market investigation confirmed that the geographic market definition for visual CPQ software, including for residential interior design and K&B applications, is worldwide or at least EEA-wide.⁴⁷ The majority of competitors submitted that there are no specific language nor regulatory barriers preventing a visual CPQ software provider from supplying such software in a different region, although some competitors pointed out that access to the relevant local catalogue content is key in this regard.⁴⁸

5.2.2.4. Conclusion

- (61) For the purpose of this decision, the Commission considers that the relevant geographic market for the provision of visual CPQ software, including for residential interior design and K&B applications, is at least EEA-wide. The Commission considers that the exact geographic market definition can be left open, as the Transaction does not give rise to serious doubts as to its compatibility with the internal market regardless of whether the market is EEA-wide or worldwide.

6. COMPETITIVE ASSESSMENT

6.1. Analytical framework

- (62) Under Article 2(2) and (3) of the Merger Regulation, the Commission must assess whether a proposed concentration would significantly impede effective competition in the internal market or in a substantial part of it, in particular through the creation or strengthening of a dominant position.

⁴³ Form CO, paragraph 122.

⁴⁴ Form CO, paragraph 124. The Notifying Parties estimate the initial costs to amount to less than EUR 150 000 per year.

⁴⁵ Form CO, paragraph 123.

⁴⁶ Form CO, paragraph 127.

⁴⁷ Q1 – questionnaire to visual CPQ software competitors, replies to question 8 and Q2 – questionnaire to visual CPQ software customers, replies to question 7.

⁴⁸ Q1 – questionnaire to visual CPQ software competitors, replies to questions 9 and 9.1.

- (63) In this respect, a merger may entail horizontal and/or non-horizontal effects. Horizontal effects are those deriving from a concentration where the undertakings concerned are actual or potential competitors of each other in one or more of the relevant markets concerned. Non-horizontal effects are those deriving from a concentration where the undertakings concerned are active on different relevant markets.
- (64) The Commission appraises horizontal effects in accordance with the guidance set out in the Horizontal Merger Guidelines⁴⁹ while non-horizontal effects are appraised in accordance with the guidance set out in the Non-Horizontal Merger Guidelines.⁵⁰
- (65) A merger between companies that are potential or actual competitors may significantly impede effective competition, in particular as a result of the creation or strengthening of a dominant position. The concept of dominance is defined as “*a situation where one or more undertakings wield economic power which would enable them to prevent effective competition from being maintained in the relevant market by giving them the opportunity to act to a considerable extent independently of their competitors, their customers and, ultimately, of consumers*”⁵¹ and there are two main ways in which the creation or strengthening of a dominant position may significantly impede effective competition: (i) by eliminating important competitive constraints on one or more firms, which consequently would have increased market power (non-coordinated effects); (ii) by changing the nature of competition in such a way that firms that previously were not coordinating their behaviour, are now significantly more likely to coordinate and raise prices or otherwise harm effective competition, or by making coordination easier (coordinated effects).⁵²
- (66) Non-coordinated effects may arise if a merger removes competition between the merging firms, who consequently have increased market power. Non-merging firms in the same market can also benefit from the reduction of competitive pressure, since the merging firms' price increase may switch some demand to the rival firms, which, in turn, may find it profitable to increase their prices. The reduction in these competitive constraints could lead to significant price increases in the relevant market.⁵³
- (67) In order to assess whether significant non-coordinated effects are likely to arise from a merger, the Commission takes into consideration a number of factors, that include the merging firms' market shares, whether or not they are close competitors, the customers' possibilities to switch supplier, the ability of competitors to increase supply and to expand post-transaction and whether the merger eliminates an important competitive force.
- (68) When assessing horizontal mergers, the Commission also considers to which extent customers will be in a position to counter the increase in market power of the merged

⁴⁹ Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Horizontal Merger Guidelines"), OJ C 31, 05.02.2004.

⁵⁰ Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Non-Horizontal Merger Guidelines"), OJ C 265, 18.10.2008.

⁵¹ Horizontal Merger Guidelines, paragraph 2.

⁵² Horizontal Merger Guidelines, paragraph 22.

⁵³ Horizontal Merger Guidelines, paragraph 24.

entity by exercising countervailing buyer power. In addition, a horizontal merger is unlikely to pose any significant anti-competitive risk if entering a market is sufficiently easy. In particular, for new entrants to be considered a sufficient competitive constraint, entry should be likely, timely and sufficient to deter any anti-competitive effects of the merger.⁵⁴

6.2. Market shares

- (69) The Notifying Parties submitted the following market shares⁵⁵ for the potential market for visual CPQ software (as a whole):

2020				
	Worldwide		EEA	
Party	Revenue (EURm)	Share (%)	Revenue (EURm)	Share (%)
Genstar Capital	[...]	[5-10%]	[...]	[0-5%]
TA Associates	[...]	[0-5%]	[...]	[5-10%]
Parties' Total	[...]	[10-20%]	[...]	[5-10%]
Market	[...]	100%	[...]	100%

- (70) The Notifying Parties submitted the following market shares⁵⁶ for the potential market for visual CPQ software for residential interior design applications (comprising Kitchen, Bathroom and (other) Furniture):

2020				
	Worldwide		EEA	
Party	Revenue (MEUR)	Share (%)	Revenue (MEUR)	Share (%)
<i>20-20</i>	[...]	[5-10%]	[...]	[5-10%]
<i>Compusoft</i>	[...]	[5-10%]	[...]	[10-20%]
Combined⁵⁷	[...]	[10-20%]	[...]	[20-30%]
SHD	[...]	[10-20%]	[...]	[20-30%]
Carat	[...]	[5-10%]	[...]	[10-20%]
HomebyMe	[...]	[5-10%]	[...]	[5-10%]

⁵⁴ Horizontal Merger Guidelines, paragraphs 64 - 68.

⁵⁵ Notifying Parties' response to the Commission's RFI No 5, question 1.

⁵⁶ Notifying Parties' response to the Commission's RFI No 3, Annex 1, Table 6.

⁵⁷ The Parties' combined market shares have been stable over time in the EEA as they stood at [20-30%] for 2019 and [20-30%] for 2018.

2020				
	Worldwide		EEA	
Party	Revenue (MEUR)	Share (%)	Revenue (MEUR)	Share (%)
Imos	[...]	[0-5%]	[...]	[0-5%]
Teowin	[...]	[0-5%]	[...]	[0-5%]
Sketchup	[...]	[0-5%]	[...]	[0-5%]
Configura	[...]	[0-5%]	[...]	[0-5%]
Marxent	[...]	[0-5%]	[...]	[0-5%]
SparkVision	[...]	[0-5%]	[...]	[0-5%]
Others	[...]	[50-60%]	[...]	[20-30%]
Market	[...]	100%	[...]	100%

- (71) The Notifying Parties submitted the following market shares⁵⁸ for the potential market for visual CPQ software for K&B applications:

2020				
	Worldwide		EEA	
Party	Revenue (MEUR)	Share (%)	Revenue (MEUR)	Share (%)
20-20	[...]	[10-20%]	[...]	[5-10%]
Compusoft	[...]	[10-20%]	[...]	[20-30%]
Combined⁵⁹	[...]	[20-30%]	[...]	[20-30%]
SHD	[...]	[10-20%]	[...]	[20-30%]
Carat	[...]	[5-10%]	[...]	[10-20%]
HomebyMe	[...]	[5-10%]	[...]	[10-20%]
Teowin	[...]	[0-5%]	[...]	[0-5%]
Configura	[...]	[0-5%]	[...]	[0-5%]
SparkVision	[...]	[0-5%]	[...]	[0-5%]
Marxent	[...]	[0-5%]	[...]	[0-5%]
Prokitchen	[...]	[0-5%]	[...]	[0-5%]

⁵⁸ Notifying Parties' response to the Commission's RFI No 3, Annex 1, Table 7.

⁵⁹ The Parties' combined market shares have been stable over time in the EEA as they stood at [20-30%] for 2019 and [20-30%] for 2018.

2020				
	Worldwide		EEA	
Party	Revenue (MEUR)	Share (%)	Revenue (MEUR)	Share (%)
VirtualWorld	[...]	[0-5%]	[...]	[0-5%]
Others	[...]	[40-50%]	[...]	[10-20%]
Market	[...]	100%	[...]	100%

6.3. Identification of affected markets

- (72) The Transaction gives rise to horizontally affected markets in the market for: (i) visual CPQ software for residential interior design applications (comprising K&B and (other) furniture) in the EEA; and (ii) visual CPQ software for K&B applications worldwide and in the EEA.
- (73) The Transaction does not create any actual or potential vertical relationships between Compusoft and 20-20 or any of the Genstar Capital and TA Associates portfolio companies.⁶⁰
- (74) There are also no other markets where the Transaction may have a significant impact (including as a result of non-horizontal relationships between the activities of 20-20 and Compusoft). While large customers may purchase multiple software solutions (including visual CPQ software), their sourcing decisions tend to be made independently by different teams for each type of software. In any event, the Parties' individual or combined market share does not exceed 30% in any relevant market.⁶¹

6.4. Horizontal non-coordinated effects

6.4.1. The Notifying Parties' view

- (75) The Notifying Parties consider that the proposed Transaction would not significantly impede effective competition in any of the horizontally affected markets identified in paragraph (72) above.
- (76) First, the Notifying Parties argue that the Combined Entity will not have market power post-Transaction in any of the affected markets. Despite Compusoft being one of the strongest players in such potential markets, its overall presence is modest, and so will remain the Combined Entity's presence. This is because the market is fragmented, with a large number of alternative suppliers being active, one of which (SHD) with a similar market share as Compusoft's on both possible markets. In this regard, the Notifying Parties point out that the market share increment brought about by the Transaction is at maximum just [5-10%] (on the K&B applications segment)

⁶⁰ Form CO, paragraph 166.

⁶¹ The Commission's conclusion holds for visual CPQ software for K&B based on the Parties' market shares as the Parties would not have market power in a market for visual CPQ software for K&B because sufficient alternative providers remain on the market as explained in paragraphs (85) to (91) even when considering that such market shares underestimate the Parties' actual market shares as discussed in paragraph (93).

leading to combined markets share of less than 30% in the EEA in both possible markets. As a result, the Notifying Parties note that the Transaction does not significantly change the structure of the market.⁶²

- (77) Second, the Notifying Parties consider that, in the affected markets, software providers only face low barriers to entry or expansion. There are no legal or regulatory requirements that must be met, nor product certification procedures or IP rights that suppliers must have in order to start supplying visual CPQ software.⁶³ In particular, the Notifying Parties submit that (i) CAD software providers and visual CPQ software providers for other industry verticals could swiftly and at modest costs start supplying visual CPQ software for K&B applications, and (ii) pure CAD software providers can offer add-ons which enable users to add CPQ functionalities to the CAD solution and consequently compete with visual CPQ software providers.⁶⁴
- (78) To effectively enter into the visual CPQ software segment for residential interior design as well as K&B applications, a new entrant would need to include content to be used within the software tool, namely the relevant manufacturers' catalogues. The Notifying Parties submit that although obtaining and converting such catalogues would require some investments in terms of working hours, most manufacturers of interior design products make their catalogues available freely and on a non-exclusive basis across Europe. According to the Notifying Parties, new entrants would not need to invest significant time and resources to collect and convert from scratch a sufficiently large catalogue of customizable residential interior furniture whether for K&B or other applications.⁶⁵ According to the Parties, this situation would be confirmed by the fact that there have been recent new entrants in the visual CPQ segment, in particular for K&B applications, especially from the CAD space.⁶⁶
- (79) Third, the Notifying Parties submit that customers have buyer power that would allow them to resist any attempts of price increase by the Combined Entity. In particular, 20-20 and Compusoft generate most of their revenues from large manufacturers such as [Customers], who exert significant pressure on the Parties during negotiations. In addition, retailers and dealers are often members of buying groups or franchise networks who also have considerable negotiating power.⁶⁷
- (80) Fourth, the Notifying Parties argue that in the affected markets, it is easy for customers to switch software suppliers. The Notifying Parties note that competitors of the Combined Entity market their products widely and offer training to support customers switching.

6.4.2. The Commission's assessment

- (81) The Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in relation to the horizontal overlaps between the activities of 20-20 and Compusoft in the potential markets for (i) visual CPQ software for residential interior design applications in the EEA, and (ii) visual

⁶² Form CO, paragraphs 148 – 149 and 152 – 154.

⁶³ Notifying Parties' response to the Commission's RFI No 1, reply to question 16.

⁶⁴ Form CO, paragraphs 151 and 158.

⁶⁵ Notifying Parties' response to the Commission's RFI No 1, reply to question 16.

⁶⁶ Notifying Parties' response to the Commission's RFI No 2, reply to question 11.

⁶⁷ Form CO, paragraph 155.

CPQ software for K&B applications worldwide or in the EEA for the reasons explained in the remainder of this Section. As the relevant arguments equally apply to all affected markets, the Commission has focused its assessment on the narrowest possible markets, namely the one for visual CPQ software for K&B applications.

- (82) First, as indicated in Section 6.2 above, the Parties' combined market shares will remain below 30% ([20-30%] worldwide and [20-30%] in the EEA) in the narrowest possible market for visual CPQ software for K&B applications. Those market shares have been stable over time as they respectively stood at [20-30%] for 2019 and [20-30%] for 2018 (worldwide) and [20-30%] for 2019 and [20-30%] for 2018 (in the EEA).
- (83) Second, the increment contributed by 20-20 was [5-10%] in visual CPQ software for K&B applications in the EEA in 2020. 20-20's market share has been stable over the recent past in the EEA as it stood at [5-10%] in 2019 and [5-10%] in 2018.⁶⁸
- (84) Third, the Parties are not close competitors in the affected markets because they have different geographic footprints. Compusoft has focused primarily on developing its activities in Europe while 20-20 has primarily been focused on the Americas.⁶⁹ Indeed, 20-20 is a US-based business that generated more than [70-80%] of its overall revenue in 2020 from customers in North America and, through its recent acquisition of Promob⁷⁰ (from Brazil), expanded into South America, where it generated a further [10-20%] of its revenues. While 20-20 offers its full suite of software solutions for commercial and professional space planning in the US, in Europe, where 20-20 started its activities through the acquisition⁷¹ in 2008 of Planit Fusion, it continues to mostly offer the software solutions that it acquired i.e., visual CPQ software for residential interior design applications.
- (85) Fourth, the Combined Entity will continue to face strong competition both at worldwide level and in the EEA in particular, but not only, from SHD⁷² and Carat⁷³, their closest competitors both large and well established⁷⁴ players from Germany, as well as from a series of other smaller but internationally active competitors like,

⁶⁸ In the potential market for virtual CPQ software for K&B applications, 20-20's market share is higher ([10-20%] in 2020; [10-20%] in 2019; and [10-20%] in 2018). This is because of 20-20's larger presence in the Americas. However, the combined market share of the Parties in virtual CPQ software for K&B applications would be limited to [20-30%] in 2020 (down from [20-30%] in 2019 and [20-30%] in 2018).

⁶⁹ Form CO, paragraph 210.

⁷⁰ Promob is a leading provider of software solutions in Latin America with interior space planning applications, solutions and content tailored for designers, architects, retailers and manufacturers. Promob operates and has offices in multiple countries, including, among others, Argentina, Colombia, Peru, Mexico and South Africa.

⁷¹ Planit Fusion was the retail design business of the United Kingdom-based Planit Holdings Limited. Planit Fusion offers interior design programs that combine design features with essential sales management tools to provide total support for businesses, including kitchens, baths and bedrooms.

⁷² The Notifying Parties estimate SHD's market share to be between [10-20%] (worldwide market/segment for vCPQ software for residential interior design applications) and [20-30%] (EEA market/segment for vCPQ software for K&B applications) depending on the segment and on the geography considered.

⁷³ The Notifying Parties estimate Carat's market share to be between [5-10%] (worldwide market/segment for vCPQ software for residential interior design applications) and [10-20%] (EEA market/segment for vCPQ software for K&B applications) depending on the segment and on the geography considered.

⁷⁴ SHD describes itself as "*the leading provider of IT solutions and services for the furniture and kitchen industry for 35 years*", see <https://www.shd.de/shd/>.

among others⁷⁵, Dassault Systèmes from France (with their HomeByMe software), Imos AG from Germany and SIMSA from Spain (with their Teowin software application).⁷⁶

- (86) SHD with its daughter companies (SHD KPS in Germany, SIMAR in the BeNeLux, Transtechnology in France and Spain, and TESI in Italy) has been active in the industry for over 25 years and describes itself as “*one of the leading European supplier for Visual CPQ Software selling their different solutions directly to kitchen and furniture retailers as well as to manufacturers with own retail chains*”.⁷⁷
- (87) As regards Carat, it describes its activities as “*very comparable to those of 20-20 and CompuSoft*” and explains that Carat applications offer “*3D design capabilities, business transactions and workflow support for many related processes*” to “*approximately 6.500 customers worldwide*” in “*15 different languages*”.⁷⁸
- (88) Dassault Systèmes is listed on the Paris Euronext Stock Exchange, employs more than 20,000 employees across its various subsidiaries, generates over EUR 4 billion in annual turnover and provides, on pan-European basis, the HomeByMe software for which they have a strong focus on developing 3D technology and capabilities.⁷⁹ In addition, Inspi, another product initially developed by Dassault Systèmes and now a partner of HomeByMe, is also focused on the kitchen, bath and furniture segments with a complete solution including 500 digital catalogues and 65,000 3D models across 60 manufacturers.⁸⁰
- (89) Imos AG develops “*specialist software solutions for the furniture and interiors industry supplying companies worldwide (currently 90 countries) with CAD, CAM and POS software to aid their design, manufacturing and distribution processes*”. Imos’ users include small and medium-sized companies that manufacture highly bespoke items as well as leading mass producers in the industry.⁸¹
- (90) SIMSA, with their Teowin software solution (which is a 3D software specialised in interior design, with a focus on K&B), started in Spain but has an international presence through its dealer network such as in Spain, Portugal and France with software available in Spanish, English, French and Portuguese. It also has developed a presence in Latin America (Mexico, Argentina and Colombia) and in Tunisia.⁸²

⁷⁵ Configura from Sweden is another smaller competitor that “*sell[s] into all countries of the EEA*”, see Q1 – questionnaire to competitors – replies to question 1.

⁷⁶ Notifying Parties’ response to the Commission’s RFI No 3, Annex 1.

⁷⁷ Q1 – questionnaire to competitors – replies to question 1.

⁷⁸ Q1 – questionnaire to competitors – replies to question 1.

⁷⁹ Dassault Systèmes describes itself as “*a world leader in 3D-model and engineering software*” (see <https://www.3ds.com>).

⁸⁰ See <https://www.inspi3d.com/en/solutions/inspi-online-space-planning/>.

⁸¹ Q1 – questionnaire to competitors – replies to question 1.

⁸² See <https://teowin.com/en/dealers/>.

- (91) Fifth, various players have either entered or expanded into, in particular, the possible market for K&B applications such as Marxent⁸³ (US), Houzz⁸⁴ (US), Kozikaza⁸⁵ (France) and AiHouse⁸⁶ (China). While multiple companies have expanded into the affected visual CPQ markets, new entrants have developed as a result of the easier collection and inclusion of manufacturers' catalogues over the last few years.
- (92) Sixth, customers' costs for switching visual CPQ providers are limited and will remain unaffected by the Transaction. In the Commission's market investigation customers generally submitted that the time and cost required for customers to switch to a different supplier of visual CPQ software depends on the size of the business concerned, the size of the catalogues in the software and the user interface but that, on average, it takes 6 month to one year. In terms of the outlays, customers indicated that they can amount to a few thousands EUR per sales associate⁸⁷ to several millions overall in the case of large companies with tens or hundreds of retail outlets.⁸⁸ Several competitors also confirmed that customers could switch to an alternative supplier in a timely manner and at no significant costs.⁸⁹
- (93) A number of respondents to the Commission's market investigation raised concerns indicating that the Combined Entity would enjoy market shares, which, according to their own estimation, would exceed 50% in the EEA.⁹⁰ The Commission undertook a market reconstruction exercise by asking the Parties' main competitors for their own revenue figures. The Commission concludes that it cannot exclude that the Notifying Parties overestimated⁹¹ the market shares of their various largest competitors in the

⁸³ While Marxent has historically focused on 3D visualisation solutions for large US-retailers with focus on furniture. More recently, it has entered Europe by partnering with companies such as John Lewis and Kingfisher and now operates offices in London, Paris and Leipzig. Apart from opening offices and partnering with larger European retailers, Marxent also developed its software tools to cover all products offered by its partners, i.e. including kitchens and bathrooms. Marxent describes itself as the “#1 3D visual configuration solution for designing and selling entire rooms online” with “proven solutions for kitchen, bath, furniture, and outdoor” (see <https://www.marxentlabs.com/international-offices/>).

⁸⁴ Houzz is already available in Denmark, Germany, Spain, France, Ireland, Italy, the Netherlands and Sweden. Houzz has raised over USD 650 million in funding since its start in 2009 and is now preparing for an IPO, which will provide additional resources for its expansion plans (see <https://www.proremodeler.com/big-plans-houzz-company-preps-ipo>).

⁸⁵ Kozikaza describes its services as “an architecture software that helps easily design 3D home plans for free, in a few minutes, from any computer and for any type of project such as kitchens, bathrooms, etc.” (see <https://www.kozikaza.com/en/3d-home-design-software>).

⁸⁶ AiHouse is a Chinese-based 3D online design software business claiming to have 2,000 employees, of which, over 1,000 are developers dedicated to creating their offering. AiHouse's offering is supported by a large customer base (over 1 million users) and deep content database (over 30 million 3D products/images/items). AiHouse is also positioning itself as a designer tool and claims to have more than 2.5 million interior designers using their tool of which already 4% in France. AiHouse's website is already available in English, Spanish and French (see <https://www.aihouse.com/news/2020-AiHouse-Review-22>).

⁸⁷ Such outlays include, among others, equipment upgrade costs as well as sales and support teams training costs.

⁸⁸ Q2 – questionnaire to customers – replies to question 10.

⁸⁹ Q1 – questionnaire to competitors – replies to question 11.

⁹⁰ Q1 – questionnaire to competitors – replies to question 15.1.

⁹¹ In that respect, the Notifying Parties explain that “TA Associates and Compusoft had engaged a third-party consultant, [consultant] to undertake market research [...]. [The consultant's] findings were based on public information as well as information gathered during interviews with various market players. As with any industry reports, [The consultant] was not able to gather and present an absolute and accurate reflection of the market and subsequently undertook further work to improve on its data estimates” (Notifying Parties' response to the Commission's RFI No 4, reply to question 2).

affected markets. However, even based on the market reconstruction exercise of the Commission, the Parties' combined share would remain below 40% in the affected markets and several rivals would continue to exert competitive constraints on the Combined Entity post-Transaction including the same alternative suppliers described in paragraphs (85) to (90) with SHD and Carat leading the front.

- (94) Some respondents further argued that barriers to entry/expansion would be high in the affected markets. These respondents noted that significant time and investments are required for software suppliers to get access to catalogue content of furniture manufacturers described by those respondents as an essential input to compete on the market.⁹² The results of the Commission's investigation revealed that the developments that have taken place in the market over the last few years have facilitated the access to catalogue content for visual CPQ software providers for the following main reasons.
- (95) In the first place, a large part of raw catalogue/content data is provided in a standardized format known as "IDM" which stands for "Integrated Data Model". Most German manufacturers and a number of manufacturers from other Member States⁹³ publish their IDM files (including their updates) on their respective websites or via a data platform called Cat@web.⁹⁴ These IDM files contain details about products offered along with their respective configurations of each manufacturer.⁹⁵ Industry participants who wish to gain access to IDM catalogues can do so by registering through the Cat@web portal which contains all relevant information about the IDM catalogues, the data distributors, and the software companies registered to use that data.
- (96) Once registered, the member will indicate its wishes to register with a number of manufacturers and will be introduced to these manufacturers who can then decide to allow the registered member to access their data. Anyone who has successfully registered with a manufacturer can download the relevant data and use it to create the respective manufacturer catalogue. This applies whether the applicant is a new entrant or an established player.⁹⁶ The registration process is free of charge and all IDM catalogues can be downloaded at no cost.⁹⁷

⁹² Q1 – questionnaire to competitors – replies to question 14.1. and Q2 – questionnaire to customers – replies to questions 12.1 and 13.1.

⁹³ As the German manufacturers are Europe's largest and most important kitchen and bathroom manufacturers, with significant exports outside of Germany, their use of the IDM format has led to a wider adoption by manufacturers internationally and has now become Europe's most used data format in the industry, also by some of the biggest manufacturers in other European countries (e.g., Santos who is the second largest manufacturer in Spain, Arrital and Valcucine from Italy) who all use the IDM format for their catalogue data across Europe.

⁹⁴ See <https://www.catatweb.de>.

⁹⁵ Notifying Parties' response to the Commission's RFI No 4, reply to question 2.

⁹⁶ The access is usually granted within a day, sometimes within hours. The application process is highly standardized and legitimate users do not need to establish a business relationship with the manufacturers to obtain access to the manufacturers' IDM files through this platform.

⁹⁷ New entrants are not subject to stringent selection criteria, they merely need to demonstrate that they i) are a bona fide company with applications for interior design of residential spaces like K&B, and ii) have a footprint of design applications available in the market where the manufacturer's products are available for sale.

- (97) In the second place, software providers can also become members of the Data Competence Center (“DCC”) which is a European industry group open to anyone.⁹⁸ As DCC members, software editors will be able to access IDM data and import it into their software. DCC members are also given access to a software solution that allows IDM data processing free of charge. DCC Members are also entitled to contribute to the data changes and additions, and are provided with a forum to introduce themselves when they first launch software products.
- (98) Based on their prominence in the industry, German manufacturers’ turnover represents approximately a bit less than half of the K&B furniture market share in Europe⁹⁹ Considering, as already indicated, that 90% of German manufacturers use the IDM file format/DCC as distribution platform, any player who is active in visual CPQ software or plans to enter this space has access to catalogue content accounting for 40-45%¹⁰⁰ of K&B furniture in Europe without needing to establish a direct relationship with any of the furniture manufacturers.¹⁰¹
- (99) In the third place, there are many alternative industry groups and platforms which any software editor can easily access in order to obtain catalogue/content data such as the ARGE Neue Medien¹⁰² which is an alliance of more than 100 brand manufacturers from the HVAC (heating, ventilation and air conditioning) industry and which organizes the quality management of product data as well as the standardization of data standards and formats for inputs into the K&B design industry such as all kinds of radiators, ventilators, extractors, etc. All their members¹⁰³ provide their catalogue data in a standard format which has become one of Europe’s most prevalent data formats in the bathroom industry for instance.¹⁰⁴
- (100) In the fourth place, the Commission’s investigation has additionally confirmed that manufacturers “usually seek to make the catalogues available to as many vCPQ providers as possible” given that “each vCPQ provider services new customers” the manufacturer “would like to be able to sell their products to”.¹⁰⁵

⁹⁸ Against a fee and acceptance of the membership by the board of the DCC.

⁹⁹ Notifying Parties’ response to the Commission’s RFI No 4, reply to question 2.

¹⁰⁰ This percentage does not include other K&B furniture manufacturers from Spain and Italy that also make their catalogues freely available through the IDM format.

¹⁰¹ In that respect, the Notifying Parties argue that 20-20 has built its business in Europe without always accessing manufacturers directly, but via the license agreement with [competitor] (which included the use of [competitor]’s catalogue content). Since the end of the license agreement with [competitor], 20-20 was able to quickly gain access to the European manufacturer catalogues as a result of its DCC implication and through the cat@web platform. As a result of this catalogue access, the Notifying Parties submit that 20-20 has been able to maintain its content and related services to its customer base outside of the DACH region using these IDM based catalogues.

¹⁰² A list of the members and brands using the format is available at the following website: <https://www.arge.de/en/arge-en/our-members/>.

¹⁰³ The data of numerous non-German European manufacturers (e.g., Vasco and Ideal Standard in Belgium, Roca and Salgar in Spain, Catalano and GSI in Italy) is also available.

¹⁰⁴ IGH, a Swiss bathroom catalogue portal which provides commercial and graphical (“BIM”) data free of charge, is another platform. BIM as a standard is also more and more widely used (especially in the building industry) and allows a wider range of systems to use supplier data. BIM is not configurable, but it is well integrated into the wider CAD world (see <https://igh.ch/kataloge.html>).

¹⁰⁵ Reply of a large German manufacturer to the market investigation.

- (101) Consequently, in addition to the channels identified above and which make the access to raw catalogue/content data easy and efficient with minimum investment required, any software editor, whether they are a new entrant or small player, can also access such data directly from the manufacturers (in a standard format such as IDM or unstructured such as Excel or PDF file). They can do so by directly contacting the manufacturers who proactively provide their catalogue data to the software companies directly with some manufacturers publishing such data sets on their websites. Manufacturers often provide multiple software editors with direct access to their catalogue data simultaneously via email or any other form of electronic communication.
- (102) In the market investigation, some competitors nevertheless submitted that post-Transaction, the Combined Entity would have a competitive advantage vis-a-vis its rivals because it would have access to a large trove of catalogue content/data from various manufacturers.¹⁰⁶ However, the competitors of the Combined Entity also have access to significant catalogue content and in some cases, earlier than their rivals.¹⁰⁷
- (103) Finally, any supplier of visual CPQ software (including new entrants) can create a catalogue of a manufacturer with whom they do not have any relationship, since it is possible to download a brochure of the manufacturer from their website and create an up-to-date catalogue as updates are also typically published on the manufacturers' website.
- (104) On the basis of the above, the Commission considers that the results of its market investigation have confirmed that software providers generally benefit from an ease of access to manufacturers catalogues' content in different ways¹⁰⁸ and are therefore able to enter or expand in any of the affected markets.¹⁰⁹
- (105) For all the above reasons, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market with respect to possible non-coordinated horizontal effects on (i) visual CPQ software for residential interior design applications in the EEA, or (ii) visual CPQ software for K&B applications worldwide or in the EEA.

¹⁰⁶ Q1 – questionnaire to competitors – replies to question 12.1.

¹⁰⁷ SHD, for instance, indicates that it has “over 500 records of catalogues in multiple languages” (see <https://www.shd.de/planung-visualisierung/produktdaten/?L=632>). Carat further indicates a “high degree of collaboration with industry” and that “catalogues are made available early”, are “available in several languages” with “online updates” (see <https://www.carat-online.com/products/carat-kitchen-design-software/carat-features/>).

¹⁰⁸ In that context, the Notifying Parties submitted that approximately 80% of the raw data in Europe is freely available for software providers a structured format (e.g., excel, via standardized formats like IDM, ARGE, etc.) and the remaining 20% is freely available in an unstructured (e.g., PDF) format.

¹⁰⁹ In that context, it is worth noting that with respect to actual processing of the catalogue content/data (once accessed), while this step has been for a long time the only material way in which software editors could try to differentiate themselves from one another by developing their own proprietary tools and techniques, the scope for such differentiation/competitive advantage by software editors has been significantly eroded by the growing standardization of most raw manufacturer catalogue data. This standardization means that the raw data can be converted to digital format ready for deployment by software editors' applications extremely quickly/easily with limited effort/investment by the software editors.

7. CONCLUSION

(106) For the above reasons, the European 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 the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President