

Anticipated acquisition by Blackbaud, Inc. of Giving Limited

Decision on relevant merger situation and substantial lessening of competition

ME/6700-17

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SUMMARY

1. Blackbaud, Inc. (**Blackbaud**) has agreed to acquire Giving Limited (**JustGiving**) (the **Merger**). Blackbaud and JustGiving are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that the Parties will cease to be distinct as a result of the Merger, that the share of supply test is met and that accordingly arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

3. The Parties overlap in the supply of online fundraising platforms (**OFPs**) in the United Kingdom (**UK**). JustGiving operates the website JustGiving while Blackbaud operates the website everydayhero. Blackbaud also facilitates online fundraising by acting as a payment services provider. The CMA's market investigation revealed that non-profit organisations (**NPOs**) use a range of different channels to raise funds online, including through fundraising websites like JustGiving and everydayhero (which may be branded or 'white labelled' to the NPO's brand) and widgets which can be embedded in their own websites (eg 'donate now' buttons). For all these channels, funds donated by individuals are remitted directly to the charity by the OFP provider (net of any fees). The CMA has therefore assessed the impact of the Merger in OFPs where the funds raised are remitted directly to the NPO. This does not include 'crowdfunding' websites, where funds raised are remitted to the individual or organisation that has set up the crowdfunding page.
4. The CMA has also assessed the effect of the Merger in relation to the links it will establish between Blackbaud's customer relationship management (**CRM**) software for NPOs and OFPs, to consider whether the Merger could give rise to conglomerate effects.
5. In relation to the supply of OFPs, the CMA found that JustGiving enjoys a position as the UK's largest and best-known OFP, and that everydayhero is a much smaller and lesser-known OFP provider. However, the CMA found that the increment to JustGiving's market position arising out of the Merger was limited, and further that there was no indication everydayhero was a particularly important or dynamic competitor to JustGiving. In addition, the CMA found that the Merged Entity will continue to be constrained by a significant number of competitors, including in particular Virgin Money Giving and BT MyDonate, but also a significant number of smaller and newer competitors, in a market characterised by fast-moving technology.
6. In relation to potential conglomerate effects, the CMA found that the CRM software for NPOs and OFPs were not particularly 'linked' in a way that suggests the Merged Entity could have the ability to foreclose rivals post-Merger, either in the supply of CRM software to NPOs, or in relation to OFPs. The CMA also found that any attempt to foreclose competitors in this way would not have an anticompetitive effect, due to the fact that the Merged Entity's rivals could effectively respond to any attempted foreclosure.
7. The CMA believes that these constraints, taken together, are sufficient to ensure that the Merger does not give rise to a realistic prospect of a substantial lessening of competition as a result of horizontal or conglomerate effects.

8. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

9. Blackbaud is a corporation based in Charleston, South Carolina (USA), listed on the NASDAQ Global Select Market. Blackbaud offers a full spectrum of cloud and on-premise software and services to support NPO fundraising. One aspect of Blackbaud's offering to NPOs is its OFP, everydayhero. The turnover of Blackbaud in year ending 31 December 2016 was approximately £540.6 million worldwide and approximately £[~~5~~] million in the UK.
10. JustGiving is a private limited company established in 2000 and based in London. JustGiving operates an OFP which allows individuals and charities to raise money to support good causes. The turnover of JustGiving in the year ending 31 December 2016 was £24.94 million worldwide and £24.51 million in the UK.

Transaction

11. Under the terms of a sale and purchase agreement dated 23 June 2017, Blackbaud agreed to purchase, and representatives of JustGiving agreed to sell, all the issued and outstanding shares in Giving Limited.

Jurisdiction

12. As a result of the Merger, the enterprises of Blackbaud and JustGiving will cease to be distinct.
13. The Parties overlap in the supply of online fundraising services, with a combined share of supply of [70-80]% (with an increment of [0-5]% brought about by the Merger) based on donation volumes. The CMA therefore believes that the share of supply test in section 23 of the Act is met.
14. Accordingly, the CMA believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
15. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 21 July 2017 and the statutory 40 working day deadline for a decision is therefore 15 September 2017.

Counterfactual

16. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.¹
17. In this case, there is no evidence supporting a different counterfactual, and the Parties and third parties have not put forward arguments in this respect. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

Frame of reference

18. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merger parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.²

Overview of the Parties' activities in online fundraising

19. The Parties overlap in the supply of OFPs. The term OFP, at its broadest, describes a web-based platform that enables individuals to make a donation online. There are multiple channels through which donors can give money to NPOs online. Donors can donate on the NPO's own website, by using:
 - (i) A bespoke solution that was specifically designed for the charity (either in-house or through a third party). When using this kind of solution, NPOs can receive/process donations without making a

¹ [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

² [Merger Assessment Guidelines](#), paragraph 5.2.2.

commission payment to an OFP (but will still incur payment processing fees). Neither of the Parties currently offer this service.

- (ii) A white-label solution, which looks to the donor like the NPO's own website, but is actually hosted by a OFP provider. The OFP receives the donations and passes them on to the NPO net of the OFP's fee. This service is offered by everydayhero, but not by JustGiving.
- (iii) Widgets, which are embedded within the NPO's own website (for example, 'Donate Now' buttons) that redirect donors to the profile page of the NPO on the OFP that supplies the widget, where they can make donations. A widget may also allow donors to donate direct through a payment service provider such as PayPal. The OFP receives the donations and passes it on to the NPO net of the OFP/payment service provider's fee. Both Parties offer this service, but only JustGiving charges a transaction fee on such donations (though both charge a payment processing fee).

20. Alternatively, NPOs can receive donations via OFP's own websites. These websites 'look and feel' like third party platforms and offer the opportunity to set up specific fundraising pages. This can be either:

- (i) Led by individuals – ie individuals fundraise on behalf of NPOs by setting up a personalised fundraising profile (eg for participating in a challenge event, or for a particular cause) page on an OFP and donors can donate on the individual's page. The OFP receives the donations and passes it on to the NPO net of the NPO's fee. This service is offered by both Parties.
- (ii) Led by NPOs – ie NPOs set up their own profile page on OFPs where donors can donate directly to the NPO (rather than through an individual fund-raising for the charity). NPOs can also set up specific sub-pages for events. The OFP receives the donations and passes them on to the NPO net of the OFP's fee. This service is offered by both Parties.

21. In addition to donations to NPOs, some OFPs allow donors to donate directly to individuals who raise money for individual purposes. In this case, the funds raised are remitted by the OFP, net of the OFP's fee, to the individual who has established the page. That individual may pass the funds on to a NPO, but may also retain them or pass them on to another individual or organisation (eg as a contribution to the costs of medical treatment, a funeral or memorial service, etc.). Such individual initiative fund-raising is often referred to as

crowdfunding. JustGiving currently offers crowdfunding, but everydayhero does not.

Product scope

Online fundraising services

22. As outlined above, there are numerous ways for NPOs to receive donations. The Parties submitted that the appropriate frame of reference is the supply of online fundraising services including through OFPs' websites, through white-label solutions, widgets on OFPs own websites and crowdfunding. The Parties submitted that the different services could not constitute separate frames of reference because, in the experience of JustGiving, prospective donors do not distinguish between donating online indirectly to a charity as a response to a request from an individual, and donating online directly to a charity or charitable cause.
23. The CMA has considered the level of demand-side substitutability between the different web-based donation channels. Demand-side substitutability is considered from the perspective of the customer who pays for the service (i.e. NPO, individual) rather than from the donor, who typically does not pay the fee.³ The CMA notes that the Parties' principal customers (in their capacity as providers of OFPs) are NPOs – 100% of Blackbaud's revenues and approximately 90% of JustGiving's revenue is generated through the payment of fees by NPOs.
24. The CMA spoke with a number of NPOs that currently use the services of the Parties and/or other OFPs. In general, NPO feedback indicated that the different channels of online fundraising are used and viewed relatively interchangeably by NPOs. NPOs generally seek to make it as easy as possible for members of the public to donate and will often use more than one OFP and more than one donation channel. From the NPO perspective, OFPs, widget-based solutions and white-label solutions (together, **direct OFPs**) all serve the same purpose of allowing the NPO to receive online donations from members of the public. In all cases, the NPO must have a contractual relationship with the OFP in order to receive donations.
25. On the other hand, funds raised by individuals or organisations through crowdfunding are not remitted by the OFP to the NPO. Even if individuals establish crowdfunding pages for the purpose of raising funds for a NPO,

³ However, the CMA notes that everydayhero's platform includes 'donor cover', an option that allows donors to pay the transaction fee on their donations on behalf of the recipient NPO.

funds raised are remitted to the individual who established the page and that individual is, in turn, responsible for passing funds on to the OFP. There is therefore no direct relationship between the NPO and the crowdfunding provider and fees are paid by the individual fundraising not the NPO. For this reason, the Parties' NPO customers did not generally consider crowdfunding to be an alternative to 'direct' donation channels. Therefore, the CMA has not included crowdfunding within the frame of reference for assessment in this case. However, as the Parties only overlap in relation to direct OFPs, and no concerns could arise on this broader basis, it has not been necessary to conclude on this point.

26. The CMA has also considered whether in-house online fundraising solutions should be included within the frame of reference. The Parties submitted that certain NPOs – such as Cancer Research UK and Help for Heroes – have recently taken their online fundraising 'in-house' in order to eliminate the need to pay fees to OFPs. The CMA received evidence on the costs of establishing and maintaining an in-house alternative, which indicated that investment in an in-house platform is only likely to be viable and cost-effective for NPOs with very high donation volumes. Feedback from customers also indicated that the majority of NPOs did not consider in-housing online fundraising to be a viable option. For these reasons, the CMA has not included in-house solutions within the frame of reference, but has taken the constraint from in-housing into account to the extent relevant within its competitive assessment.ⁱ

CRM software

27. Although the Parties do not overlap in supply of CRM software, the CMA has defined a frame of reference for CRM software in order to assess whether the merger could give rise to conglomerate effects concerns.
28. Blackbaud is active in the supply of CRM solutions (and ancillary products and services) to NPOs. Blackbaud's CRM solutions are specifically designed for the NPO sector. However, the Parties submitted that the appropriate frame of reference should not be limited to the supply of CRM software to NPOs, but should also include generic CRM solutions such as Salesforce, SAP, Oracle, Microsoft, Adobe and IBM (**generic CRM software**). The Parties submitted that customers using Blackbaud's CRM solutions have fundamentally the same objectives as a commercial enterprise would seek from a commercial sales management tool, such as tracking organisation-wide interactions with their customers, segmenting and managing such customers, and reporting on outcomes.
29. The CMA understands that Blackbaud's CRM products incorporate specific functionalities targeted at NPOs, including tagging features to manage

donations made for specific purposes, dealing with GiftAid claims, major gift management, and reporting. Pure generic CRM software would not include these functionalities. The CMA notes, however, that there are resellers who offer generic products configured with an 'add on' offering similar functionalities specifically targeted at NPOs. In addition, the CMA understands that there are integrators which are able to supply NPOs with pre-configured not-for-profit versions of the CRM software solutions or to develop bespoke solutions for them.

30. In its recent decision in *ZPG / Websky*,⁴ the CMA considered, in the context of CRM software tailored for real estate agents, that the specially tailored CRM software should be considered within its own frame of reference on the basis that (i) customers did not indicate they would switch to generic software; and (ii) internal documents indicated that ZPG did not consider generic CRM software providers to be close competitors.⁵
31. In this case, the CMA has received evidence from the Parties and from customers about switching. The evidence submitted by the Parties indicates that a material proportion of customers consider the 'NPO tailored' generic products to be an alternative to Blackbaud's CRM software. This position was confirmed by customers contacted by the CMA, who indicated that they use generic software already, have considered using it in the past (and consider it to be a viable alternative), or are currently considering (and consider it to be a viable alternative). Similarly, Blackbaud's internal documents list Microsoft Dynamics and Salesforce as CRM competitors along with other NPO-focused providers such as ThankQ. The CMA therefore believes that resellers of tailored generic products should be included within the frame of reference, but that pure generic software should not.

Conclusion on product scope

32. For the reasons set out above, the CMA has considered the impact of the Merger in the following product frames of reference:
 - the supply of direct OFPs;
 - the supply of NPO-specific (whether fully specialised or tailored generic software) CRM software to NPOs.

⁴ CMA Decision: Completed acquisition by ZPG plc of Websky Limited (Expert Agent), 29 June 2017 (*ZPG / Websky*).

⁵ *ZPG / Websky*, paragraphs 32-33.

33. However, it was not necessary for the CMA to reach a conclusion on the product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

Geographic scope

OFP

34. The Parties submitted that the appropriate geographic frame of reference is national, if not EEA-wide, given that software faces no transport costs.
35. The evidence available to the CMA indicates, however, that competitor CRM software providers based outside the UK are not currently used by customers, which suggests that there are challenges to being seen as a credible supplier without a presence in the UK. This may be due to regulatory barriers, a lack of customer awareness of these brands of CRM software, the need for a local sales force or support service, the ability to donate in local currency, or the inclusion of functionalities to deal with UK-specific NPO requirements – eg GiftAid compliance.
36. Therefore, the CMA has considered the impact of the transaction on OFPs on a UK-wide frame of reference.

CRM software

37. The Parties submitted that the market for (non-specific) CRM software is at least EEA-wide in geographic scope and bases its reasoning entirely on previous decisions by the European Commissionⁱⁱ.
38. The CMA's previous decisional practice has treated CRM software markets (and other industry-specific software markets⁶) to be national in scope.⁷ The CMA notes in this case that no customers and/or competitors named any competitors based outside the UK. The CMA has therefore, consistent with its previous decisional practice, considered the impact of the transaction in relation to CRM software on the basis of a UK-wide frame of reference.

⁶ See for example: CMA Decision: Anticipated acquisition by Open International of Transactor Global Solutions Limited and related businesses, 17 July 2017, paragraphs 32-34.

⁷ *ZPG / Websky*, paragraphs 72-74; *Axiom / Cosodata* (2004).

Conclusion on frame of reference

39. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:
- the supply of direct OFPs in the UK;
 - the supply of NPO-specific (whether fully specialised or tailored generic software) CRM software to NPOs in the UK.

Competitive assessment

Horizontal unilateral effects

40. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or degrade quality on its own and without needing to coordinate with its rivals.⁸ Horizontal unilateral effects are more likely when the merger parties are close competitors. The CMA assessed whether it is or may be the case that the Merger may be expected to result in a substantial lessening of competition in relation to unilateral horizontal effects in the supply of direct OFPs in the UK.
41. In assessing whether horizontal unilateral effects may arise from the Merger, the CMA has considered: (i) the Parties' shares of supply; (ii) how closely the Parties' OFPs compete with one another; and (iii) other competitive constraints faced by the Parties.

Shares of supply

42. In view of the differentiated nature of OFPs, the CMA considers that the best measure of the Parties' shares of supply is likely to be provided by revenues. The Parties were not, however, able to provide revenue estimates for their competitors. The CMA sought to construct shares of supply based on revenues, but was not able to obtain revenue figures from a sufficient number of competitors to establish robust estimates of revenue-based shares of supply.
43. The Parties provided the CMA with shares of supply for OFPs based on donation volumes generated on the OFP, as set out in Table 1. The sales data is based on the Parties' best estimates (with the CMA having sought to

⁸ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

verify third party sales figures directly and adjust the shares of supply accordingly where relevant).

Table 1: Donation transactions of OFPs⁹

Competitor	Donation volume					
	£'000			%		
	2015	2016	2017 (Jan-Jun)	2015	2016	2017 (Jan-Jun)
JustGiving	[X]	[X]	[X]	[70-80]%	[70-80]%	[60-70]%
Blackbaud (everydayhero and payments received by Blackbaud as a payment service provider)	[X]	[X]	[X]	[0-5]%	[0-5]%	[0-5]%
<i>Combined</i>	[X]	[X]	[X]	[70-80]%	[70-80]%	[60-70]%
Virgin Money	[X]	[X]	[X]	[10-20]	[10-20]	[10-20]
BT MyDonate	[X]	[X]	[X]	[0-10]	[0-10]	[0-10]
CAF	[X]	[X]	[X]	[0-10]	[0-10]	[0-10]
Charity Checkout	[X]	[X]	[X]	[0-1]	[0-1]	[0-1]
LocalGiving	[X]	[X]	[X]	[0-1]	[0-1]	[0-1]
Givey	[X]	[X]	[X]	[0-1]	[0-1]	[0-1]
Rapidata	[X]	[X]	[X]	[X]	[X]	[X]
Engaging Networks	[X]	[X]	[X]	[X]	[X]	[X]
Ammado	[X]	[X]	[X]	[X]	[X]	[X]
RaisingIT	[X]	[X]	[X]	[X]	[X]	[X]
Total	540,309	573,468	325,952	100%	100%	100%

Source: Parties' and third Parties' submission.

44. Given the limits in the available share data, as described above, and the fact that OFP services are fairly differentiated (as described further in the

⁹ The Parties' estimates also include a category of 'Others' (£10m), which refers either to new entrants (e.g., nutickets), or to bespoke solutions providers (e.g., WPN Chameleon), or to generalists that supply charities among other customers (e.g., Crowdfunder), or to a long tail of small providers (e.g., Golden Giving, CommittedGiving / Phrasis KBDM), or to niche suppliers (e.g., Memory Giving). Given that some of these suppliers offer products that are not captured in the determined product FoR (e.g. bespoke solutions), or supply different customers (e.g. crowdfunding) and we are unable to determine what proportion are active in the same market and supply to the same customers as the Parties, we excluded this category from our estimations.

competitive assessment below), the CMA has placed relatively limited weight on the share of supply data and has instead focused on assessing closeness of competition. However, the data is useful in establishing a sense of the relative size of the Parties and their competitors. In this respect, the CMA notes that:

- (i) JustGiving is the largest provider, with a share of supply of [70-80]% of donations in 2016;
- (ii) Virgin Money Giving is the next most significant OFP provider, with a share of supply of around [10-20]% in 2016;
- (iii) BT MyDonate is another material competitor, albeit with a smaller presence at present, with a share of supply of 7% in 2016; and
- (iv) all other suppliers (including everydayhero, which had a share of supply of around [0-5]% in 2016) are substantially smaller with shares of supply under 5%.

Closeness of competition

45. The Parties submitted that services that OFPs offer are differentiated, and Blackbaud and JustGiving are not one another's closest competitors. In particular, the Parties submitted that they are differentiated from each other on the basis of:
- (i) *Brand trust and recognition:* everydayhero focuses on white-label solutions, whilst JustGiving focuses on branded solutions, which results in JustGiving's brand being recognised and trusted to a greater extent by individuals and donors.
 - (ii) *User experience:* JustGiving offers a smoother end-to-end donation process and better mobile optimization, whereas everydayhero's attraction for users derives from certain 'social' elements of its offering, such as 'screen-thanking' (ie the screen after a donation has been made) and fitness integration (eg allowing fundraisers to upload their training data to the fundraising page).
46. In addition, the Parties submitted that JustGiving faces more significant competitors than everydayhero, in particular Virgin Money Giving and BT MyDonate.
47. In assessing how closely the Parties compete with each other, the CMA has considered:
- (i) similarities and differences in the Parties' offerings to customers;

- (ii) whether the Parties may compete more closely in relation to investment in developing their platforms; and
- (iii) available evidence on customer switching.

Closeness of the Parties' offerings

- 48. Third parties responding to the CMA's market test generally indicated that they consider JustGiving and everydayhero to have broadly similar offerings in terms of functionality, service (in particular technical support) and user experience. In addition, the Parties' pricing is similar, and notably more similar than that of the two larger competitors – Virgin Money Giving and BT MyDonate – which are both significantly cheaper.
- 49. However, the available evidence indicates that the Parties are not uniquely close competitors. In particular, customer feedback in the CMA's investigation identified a number of other alternatives to the Parties' platforms, including Virgin Money Giving, BT MyDonate, and a number of smaller operators, which were considered to compete at least as closely with the Parties' offerings as the Parties' offerings do with each other.
- 50. In addition, the CMA has received evidence of a number of differences in the Parties' offerings, in particular:
 - (i) **Functionality:** everydayhero offers white-label solutions and allows for fitness-tracking (which can be used both for challenges and to upload training data to the fundraising page), which are both features mentioned by customers as reasons to specifically use everydayhero for particular kinds of fundraising. On the other hand, JustGiving offers richer social integration, a mobile app function and the ability to make donations in multiple currencies. These differences in competitive positioning are also noted in a Blackbaud internal document.
 - (ii) **Brand recognition:** third parties noted that the Parties are not particularly strong competitors in terms of 'brand recognition'. JustGiving is well known and trusted by consumers as an OFP. On the other hand, everydayhero is little known in the UK amongst consumers (but relatively well known amongst UK charities).
 - (iii) **Customer profile:** some evidence received by the CMA also suggested that everydayhero may have a customer profile of predominantly smaller NPOs, in that it may not be well-placed to support larger OFPs. One customer told the CMA that they had switched away from everydayhero due to it not being well suited to

handling large donation volumes. JustGiving's customers on the other hand include very large OFPs.

51. Therefore, while the Parties' platforms are similar on a number of parameters, the CMA the available evidence indicates that the Parties are not uniquely close in terms of their offerings.

Closeness of competition in relation to innovation

52. The CMA also considered the extent to which the Parties might be close competitors in relation to non-price factors such as the degree of investment made in the development of the platform. One third party raised a concern that the Parties may be better placed to invest in development than Virgin Money Giving and BT MyDonate, because of the not-for-profit status of these platforms, and that therefore the Merger could lead to a loss of innovation.¹⁰
53. The CMA reviewed the Parties' previous innovation and found that, although the Parties have duplicated some of each other's developments, there was no evidence of any competitive interaction (eg 'copy-cat' behaviour) indicative of a particular closeness in innovation. The CMA noted that in the last two years, the Parties have had slightly different focuses in their innovation – everydayhero has primarily focused on [REDACTED], while JustGiving has focused on [REDACTED]. In addition, Blackbaud's internal documents indicate that its pre-merger plans [REDACTED]. This suggests that everydayhero was unlikely to become a materially closer competitor to JustGiving in innovation (particularly in the UK) and that competitive conditions in the UK – and, in particular, competition between everydayhero and JustGiving in the UK – are not a particularly significant driver of innovation.
54. The CMA also received evidence that the Parties' competitors are also investing significantly in research and development of their platforms. In particular, the evidence received by the CMA indicated that [REDACTED]. The CMA also received evidence of new product launches by smaller competitors, and of potential new entrants, indicating that the smaller players (and new market players) in the market are also an important source of innovation.
55. Therefore, the CMA believes that the available evidence indicates the Parties are also not particularly close competitors as regards innovation.

Customer switching

¹⁰ [REDACTED].

56. The Parties provided the CMA with win/loss data (for the period covering 2013-2017) for Blackbaud and loss data (for the period covering 2010-2017) for JustGiving. The data shows the suppliers to which each of the Parties' lost customers switched over the relevant periods, and also provided the customers' reasons for switching (where known).
57. The data provided by the Parties shows that:
- (i) One quarter of customers who switched away from everydayhero (accounting for around a third of donation volumes) switched to JustGiving, but similar proportions were lost to Virgin Money Giving and BT MyDonate.
 - (ii) Around one in ten JustGiving customers who switched away from JustGiving (around 3% of donation volume) switched to everydayhero. JustGiving lost the most customers to Virgin Money Giving and also lost some volume due to large customers developing in-house solutions.
58. Whilst customers switched from everydayhero to JustGiving, because JustGiving appears to be better placed to handle large customers, customers switched to everydayhero from JustGiving due to functionality preferences. It appears that price was a reoccurring factor to switch away from the Parties and towards platforms such as Virgin Money Giving and BT MyDonate, reflecting the lower fees charged by these suppliers.
59. The Parties also provided data that showed how customers reacted to a price increase implemented in September 2016. Following this increase JustGiving lost [X] customers, of which [X] switched to Virgin Money Giving, [X] to BT MyDonate, [X] to CAF Donate, with [X] now using a bespoke solution. The Parties were not aware of the 'destinations' of the other [X] customers (but confirmed that none of these customers switched to everydayhero).
60. The CMA considers evidence on customer switching to be particularly probative in this case because it demonstrates actual customer behaviour. The CMA therefore considers the evidence further indicates that the Parties are not each other's closest competitors.

Competitive constraints

61. As noted above, other than JustGiving, the two most significant suppliers are Virgin Money Giving and BT MyDonate. Evidence received during the CMA's market test indicates that Virgin Money Giving and BT MyDonate compete closely with the Parties and that they offer a comparable product. Customer feedback and switching data outlined above indicates that Virgin Money

Giving in particular appears to impose a strong constraint on the Parties. The vast majority of NPOs the CMA spoke with during its investigation indicated that they currently use Virgin Money Giving, while around half indicated they use BT MyDonate.

62. In addition to Virgin Money Giving and BT MyDonate, a further six OFPs were identified by customers as platforms that they currently use, with a further three being identified as 'viable alternatives' not currently in use by any of the NPOs the CMA spoke with.
63. Some of these players include:
 - (a) Branded OFPs, such as Givey, Wonderful and Ammodo.
 - (b) White-label solutions, such as Charity Checkout and Hubbubb.¹¹
 - (c) Specialised OFPs, such as MemoryGiving, Love to Donate, and Much Loved, which allow fundraising in memory of people that passed away.
 - (d) Other OFPs, such as Everyclick, which additionally allows fundraisers/charities to also raise funds by using their search engine (ie Every click) or when shopping online (ie Give as you live), or when switching services (ie Give as you switch).
64. In addition, switching data shows that JustGiving lost customers to CAF Donate, which enables charities to set up and manage online donation pages that the charity can tailor with their own brand and messages. Internal documents also list LocalGiving as viable competitor, which is an OFP specialised in supporting local charities.¹²
65. This feedback from customers is consistent with recent consumer research provided by the Parties from March 2017 that profiles the use and perceptions of OFPs among NPO's and individuals.¹³ The study (which covers all forms of online fundraising including crowdfunding) suggests that the 'top-tier' vendors in the UK are JustGiving, Virgin Money Giving, GoFundMe, and BT

¹¹ Charity Checkout allows charities to take online donations, create giving campaigns/ crowdfunding appeals and enable their supporters to create personal fundraising pages in aid of charities. Hubbubb is a white-label solutions mainly for universities.

¹² Furthermore, [REDACTED].

¹³ Data was collected using an online survey with a very small response rate: 20 NPOs, 140 fundraising individuals, and 50 donors. Due to small bases sizes in some segments, the data should be used directionally and to provide an indication of perceptions of different OFPs and other fundraising applications - the data do not represent precise market share or awareness measures.

MyDonate. Everydayhero is cited as a second-tier vendor along with a number of others including, Spacehive, Chuffed, and Razoo.¹⁴

66. The Parties submitted that the constraint from competitors is particularly significant because of low barriers to switching. In this respect, the Parties highlighted that many NPOs already use more than one OFP ('multi-homing') and so 'switching' does not require establishment of a new relationship but merely encouraging donors to use a different OFP.
67. The Parties provided the CMA with data from JustCharity (gathered via automated internet queries), which tracks online fundraising activity.¹⁵ The data lists 2,449 charities that use one or more of JustGiving, BT MyDonate, Virgin Money Donate, and Everydayhero.¹⁶ JustCharity's data shows that the majority of NPOs (76%) use only one of the four platforms (although these NPOs account for only 21% of the donations generated on these platforms).¹⁷ Of the 585 charities (24%) that multi-home, which generated 79% of the donation volumes, nearly all of them use JustGiving (93%) and the vast majority also use Virgin Money Giving (81%). Far lower proportions of these charities use BT MyDonate (39%) and everydayhero (29%).¹⁸ The CMA notes, therefore, that this data is consistent with the views expressed by customers who responded to the CMA's investigation, who generally stated that they use more than one OFP.
68. The CMA notes that there may be limits on the ability of charities that use a number of alternative OFPs to influence the choice of OFP by potential donors without incurring any loss of donations. Nevertheless, the CMA considers that the JustCharity data has some relevance in weighing the competitive constraints on JustGiving because on the basis that it shows that Virgin Money Giving and BT MyDonate are used more intensively than everydayhero by NPOs listed in the JustCharity data set.
69. Accordingly, the CMA believes that (i) Virgin Money Giving and BT MyDonate are currently closer competitors to JustGiving than everydayhero and that they will continue to constrain the Merged Entity post-Merger; (ii) there are a

¹⁴ GoFundMe, Spacehive, and Chuffed are crowdfunding platforms.

¹⁵ The data collected by JustCharity does not represent the whole market, and accuracy differs between OFPs. The Parties estimate that donation values reported by JustCharity for JustGiving, Virgin Money Giving and Everydayhero are approximately one third lower than the donation values indicated by the providers' own figures and donation values reported by JustCharity for BT MyDonate are much less representative. However, the data sets provide an indication how many NPOs and what type of NPOs multi-home.

¹⁶ This data is not available for any of the other competitors.

¹⁷ JustCharities data only considers JustGiving, Virgin Money Giving, BT MyDonate, Everydayhero.

¹⁸ 22% of donation volume is generated by charities using two of the four platforms, 21% of donation volume is generated by charities using three of the four platforms and 36% of donation volume is generated by charities using all four platforms.

number of smaller providers who are considered viable by customers and may have the opportunity to grow; and (iii) the evidence on multi-homing indicates that there may be low barriers to switching such that competitors will be able to exert a significant constraint on the Merged Entity.

Conclusion on horizontal unilateral effects

70. In conclusion, the evidence available to the CMA indicates the Merger does not raise a realistic prospect of a SLC due to horizontal unilateral effects in the supply of OFPs for the following reasons:

- (i) While the available data on shares of supply indicates that JustGiving is by far the strongest OFP (~70%, 2016), the increment brought about by the Merger is very small (<5%, 2015-2016).
- (ii) The Parties are not each other's closest competitors. JustGiving has the strongest brand recognition in the sector and is used by most fundraisers, whereas everydayhero's main focus is the supply of white-label solutions to NPOs. Due to its size, JustGiving is able to manage large donation volumes, which allows it to be an NPO's main OFP or be the promoted OFP for large events. Everydayhero on the other hand is significantly smaller, hence is mostly used by smaller NPOs or specific events.
- (iii) Virgin Money Giving and BT MyDonate are the second and third largest OFPs by donation volume and are both well recognised and used substantially by NPOs. Furthermore, there is a long tail of smaller OFPs and niche players that are innovating and growing.

71. Accordingly, the CMA considers that that the removal of JustGiving as a competitive constraint will not allow Blackbaud to raise prices or reduce quality in the supply of OFPs because sufficient competitive constraints will remain post-Merger. The CMA therefore believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of direct OFPs in the UK.

Conglomerate effects

72. Conglomerate effects may arise in mergers of firms that are active in the supply of goods or services that do not form part of the same market but which are nevertheless related in some way, either because their products are complements (so that a fall in the price of one good increases the customer's

demand for another) or because there are economies of scale in purchasing them (so that customers buy them together).¹⁹

73. In most cases, conglomerate mergers are considered to be benign or even efficiency-enhancing and do not raise competition concerns. However, in certain circumstances, a conglomerate merger can result in the merged entity foreclosing rivals, for example through a tying or bundling strategy.²⁰ Foreclosure concerns will, however, only arise where such a strategy could reduce competition in the affected market to the extent that, in the context of the market in question, it gives rise to an SLC (and not merely where it disadvantages one or more competitors).²¹
74. Following concerns raised by third parties in the present case, the CMA has considered whether the Merged Entity could have the ability and incentive to use its strong position in the supply of OFPs to foreclose rivals in the supply of CRM software by either:
- (a) offering JustGiving's services for free or at a reduced rate, when used in combination with Blackbaud's CRM software; or
 - (b) worsening the quality of data integration between OFPs and CRM software.
75. The CMA's approach to assessing conglomerate theories of harm is to analyse (a) the ability of the merged entity to foreclose competitors, (b) the incentive of it to do so, and (c) the overall effect of the strategy on competition.²²

Relationship between the supply of CRM software and the supply of OFPs

76. As noted above, for conglomerate effects to arise from a merger, the products in question must be 'related' in some way. The CMA has therefore considered whether the supply of OFPs and the supply of CRM software are related in any way.
77. The Merger Assessment Guidelines note that different markets can be related where the goods or services at issue are complements or if there are

¹⁹ [Merger Assessment Guidelines](#), paragraph 5.6.2.

²⁰ In relation to this theory of harm 'foreclosure' means either foreclosure of a rival or to substantially competitively weaken a rival.

²¹ In relation to this theory of harm 'foreclosure' means either foreclosure of a rival or to substantially competitively weaken a rival.

²² [Merger Assessment Guidelines](#), paragraph 5.6.6.

economies of scale in purchasing them (so that customers buy them together).²³

78. In this regard, the CMA notes that OFPs and CRM software are not complements (in that the available evidence indicates that a fall in the price of CRM software will not increase customer demand for OFPs or *vice versa*).
79. Moreover, while OFPs and CRM software are supplied to a large pool of common customers (ie the NPO sector), the available evidence indicates that customers typically do not have a strong incentive or preference to buy this 'range' of products from a single source. In particular, the available evidence indicates that CRM software and OFPs are not, in practice, purchased together. Customers suggested that this was, in part, because purchasing decisions are made at different times. While purchasing decisions in relation to OFPs are made on average once a year, purchasing decisions in relation to CRM software tend to be made on average every 3-10 years (with customers who responded to the CMA's investigation having used their current CRM software for an average of 4.5 years).²⁴ In addition, many customers told the CMA that different parts of the business have responsibility for commercial decision-making in relation to each of the two products.
80. The CMA also considered whether CRM and OFPs may be linked in some other way. A number of third parties told the CMA that there is a technical link between CRM software and OFPs because OFPs generate significant data which needs to be integrated into the CRM software. The CMA notes, however, that CRM software is used for a range of different purposes, and that it therefore has to be able to integrate with a variety of different applications, which may limit the scope for technical tying. Again, customers told the CMA that technical compatibility does not engender a strong incentive or preference to buy the range of products from a single source.
81. The CMA therefore believes that there is likely to be, in practice, little relationship between the supply of OFPs and the supply of CRM software (and therefore limited ability to link the products in the separate markets together). The specific foreclosure concerns raised by third parties are, nevertheless, briefly considered further below.

Foreclosure of CRM competitors through bundling of CRM and OFP

82. A number of third parties raised a concern that by acquiring JustGiving, Blackbaud may have the ability and incentive to use its strong position in OFP

²³ [Merger Assessment Guidelines](#), paragraph 5.6.2.

²⁴ Based on eight customer responses and one competitor response.

to reduce rivalry in CRM software by offering JustGiving's services for free, or at a reduced rate, when used in combination with Blackbaud's CRM software.

83. Such a discounted bundle would typically be pro-competitive unless it resulted in the foreclosure to the extent that CRM competitors would be forced to exit the market, with deleterious effects on future competition, or would be forced to operate at a scale at which they would no longer be an effective competitive constraint.
84. As explained above, the evidence available to the CMA indicates that suppliers' have, within the context of the markets at issue, limited ability to link the supply of OFPs and the supply of CRM software together.
85. This is consistent with evidence submitted by the Parties, which indicates that previous attempts by Blackbaud to sell CRM software and OFP together (though not in a bundle),²⁵ shortly after Blackbaud's acquisition of everydayhero in 2012, had not been successful. In Blackbaud's view, this was because customer contacts for CRM software were not the right contacts to influence decision-making in relation to the adoption of everydayhero. Blackbaud subsequently split its UK business into separate sales units with CRM software and everydayhero.
86. The CMA also notes that the available evidence indicates that switching CRM software can be difficult. This is because CRM software is typically well integrated within a business's everyday operations and therefore changing software often entails significant business disruption and necessitates staff training on how to use new software. When the CMA asked customers what discount JustGiving would have to offer in order for them to consider switching to Blackbaud's CRM software, over half of customers who responded to this question said they would not consider switching CRM software regardless of the discount offered on JustGiving.
87. The CMA therefore does not believe that the Merged Entity would have the ability to pursue a foreclosure strategy of this type. The CMA has therefore not considered the incentive of the Merged Entity to pursue such a strategy or the effect that this could have on competition.

Foreclosure of CRM or OFP competitors through reducing quality of data integration

88. A number of third parties raised a concern that, post-merger, Blackbaud may have the ability and incentive to foreclose both (a) other CRM software

²⁵ By bundling the CMA refers to the practice of selling both products together at a lower price than the price of buying the products separately.

providers and (b) other OFPs, by worsening the quality of data integration between rival OFPs and Blackbaud's CRM software or worsening the quality of data integration between rival providers of CRM software and the OFP of the Merged Entity (ie everydayhero and JustGiving).

89. As with a bundling strategy, data integration between Blackbaud's CRM and the Parties' OFPs improves would typically be considered to be pro-competitive unless it resulted in anti-competitive foreclosure (ie through competitors being forced to exit the market or to operate at a scale at which they would no longer be an effective competitive constraint). A number of customers the CMA spoke with flagged potential improved integration as a possible benefit of the Merger.
90. As explained above, the evidence available to the CMA indicates that there is currently limited scope for technical typing between CRM software and OFPs.
91. The Parties also submitted that the Merged Entity would not have the ability to pursue a strategy of worsening data integration because the majority of NPOs are using a CRM solution provided by one of Blackbaud's rivals and many NPOs, including the vast majority of large NPOs, are using more than one OFP. The Parties consider that any attempts to make the JustGiving platform, in particular, less open, or to hamper data integration, would likely impact integration with other third party applications aside from CRM systems (such as event registration platforms, financial systems, marketing platforms and websites), which would materially reduce the attractiveness of the JustGiving platform.
92. In addition, the CMA's market investigation has suggested that such a strategy may not, in fact, lead to significant switching. The CMA asked customers how they would respond to data integration between JustGiving and their CRM platform being worse than integration which would be available with Blackbaud. Every customer responded that they would not make any change to either their use of OFPs or their CRM software. Customers explained to the CMA that this is because they do not choose CRM software based on how well it integrates with one tool, as CRM software also integrates with other software (eg accounting software etc). Furthermore, OFPs are chosen due to many reasons and whilst, for a number of customers, integration is one of them, it is not typically the deciding factor.
93. The CMA therefore does not believe that the Merged Entity would have the ability to pursue a foreclosure strategy of this type. The CMA has therefore not considered the incentive of the Merged Entity to pursue such a strategy or the effect that this could have on competition.

Conclusion on conglomerate effects

94. As set out above, the CMA believes that CRM software and OFPs do not display characteristics of particularly 'linked' products for which conglomerate concerns would typically arise. In addition, the evidence available to the CMA indicates the Merged Entity would not have the ability to pursue a foreclosure strategy, either through bundling or through worsened data integration. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of a substantial lessening of competition as a result of conglomerate effects in relation to direct OFPs or CRM software.

Barriers to entry and expansion

95. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases, may mean that there is no substantial lessening of competition. In assessing whether entry or expansion might prevent a substantial lessening of competition, the CMA considers whether such entry or expansion would be timely, likely and sufficient.²⁶
96. However, the CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

Third party views

97. The CMA contacted customers and competitors of the Parties. Some competitors raised concerns regarding possible conglomerate effects outlined above. Customers were generally neutral or positive about the effect of the transaction on competition.
98. Third party comments have been taken into account where appropriate in the competitive assessment above.

Decision

99. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.
100. The Merger will therefore **not be referred** under section 33(1) of the Act.

²⁶ [Merger Assessment Guidelines](#), from paragraph 5.8.1.

Colin Raftery
Director of Mergers
Competition and Markets Authority
08 September 2017

ⁱ The Parties' have clarified that Help for Heroes subsequently stopped funding and using its in-house solution and re-started promoting JustGiving as its preferred OFP solution.

ⁱⁱ The CMA clarifies that the Parties' submissions were made prior to the CMA's publication of the decisions at Footnotes 4 and 6