

Anticipated acquisition by StepStone UK Holding Limited of Evenbase Recruitment Limited

ME/6454/14

The CMA's decision on reference under section 33(1) given on 8 September 2014. Full text of the decision published on 30 September 2014.

Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

Summary

1. StepStone UK Holding Limited (StepStone) and Evenbase Recruitment Limited (Evenbase) (together, the parties) both supply candidate sourcing services to recruiters and job seekers in the UK, mainly through Totaljobs and Jobsite.co.uk. Totaljobs' turnover amounted to £[~~£~~]¹ in the UK and Evenbase's turnover amounted to £[~~£~~] in the UK in the last financial year.
2. The parties entered into a share purchase agreement on 21 May 2014 relating to the acquisition of the entire issued share capital of Evenbase by StepStone (the Merger). The Competition and Markets Authority (CMA) considers that the parties will cease to be distinct and that the share of supply is met. Therefore, it considers 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 pursuant to section 23(2) of the Enterprise Act (the Act).
3. The CMA has assessed the Merger on the basis of the following frames of reference: the provision of online candidate sourcing services on generalist job boards in the UK to (i) recruiters and (ii) candidates. The CMA did not, however, find it necessary to conclude on the precise scope of the frames of reference.
4. The CMA assessed whether the Merger would lead to a realistic prospect of a substantial lessening of competition (SLC) in the provision of online candidate sourcing services on generalist job boards on the recruiter side. Due to the two-

¹ In addition, the Saongroup generated turnover of £[~~£~~].

sided nature of the market, the CMA also assessed whether the Merger would lead to a large share of unique candidates for the parties' generalist job boards.

5. The supply of online candidate sourcing services in the UK is worth around £344 million (WARC data). The parties have an estimated combined share of supply, by value, of between [20 to 30%] (depending on the data source used) and by volume, around [30 to 40%]. The CMA has assessed a variety of evidence on the extent of competition between the parties, including data on pay per click advertising, third party responses, internal documents, and comScore data. The CMA considers, based on this evidence, that although they are close competitors, the parties are not each other's closest competitors and that a number of competing job sites will remain post-Merger (including other generalist job boards, sector-focussed job sites, online newspaper sites, aggregators and LinkedIn²).
6. On the candidate-side, the parties have an estimated [5 to 10%] to [10 to 20%] share of visitors (depending on the sites included) based on Comscore data. Based on the evidence available, the Merger will not create a large share of unique candidates for the parties' generalist job boards. In addition, this data and third party responses suggest that aggregators' (such as Indeed) and LinkedIn's presence is increasing in online candidate sourcing in the UK.
7. Overall, based on the evidence available to it, the CMA does not consider that the Merger will lead to a realistic prospect of an SLC in the supply of online candidate sourcing services to recruiters.
8. This Merger will therefore **not be referred** under section 33(1) of the Act.

Parties

9. StepStone is a wholly-owned subsidiary of StepStone GmbH, which in turn is an indirect wholly-owned subsidiary of Axel Springer Digital Classifieds GmbH. In the UK, StepStone offers online candidate sourcing services³ mainly through Totaljobs, which is a wholly-owned subsidiary.⁴ Totaljobs operates online job

² The CMA received mixed evidence on the extent to which third parties considered aggregators and LinkedIn to be close competitors to the parties. Several third parties noted that they operate a different business model and that they would either not use them or in addition to the parties. However, many third parties stated that although they operate a different business model, they nevertheless use their services and that they are competitors to the parties. Some of them noted that they are a useful source for sourcing particular candidates.

³ Candidate sourcing involves linking individuals who are searching for employment or who could be induced to consider a specific opportunity (so-called 'passive' candidates) with companies who need to fill vacancies.

⁴ StepStone acquired Saongroup in November 2013, which is an Ireland-based candidate sourcing provider. It is active in the UK only through NIJobs.com as well as MyJob Group, which comprises a network of regional jobs sites in the UK. StepStone's key brands include: Totaljobs.com, Caterer.com, CWjobs.com, RetailChoice.com, Careerstructure.com, and sites from the Saongroup (Myjobgroup.co.uk and NIJobs.com).

sites, including Totaljobs.com. In 2013, Totaljobs generated turnover of £[X] in the UK while Saongroup generated turnover of £[X].

10. Evenbase is incorporated in the UK.⁵ It offers online candidate sourcing services, mainly through its website Jobsite.co.uk.⁶ It also provides recruitment software services to the public and private sectors through its 'Business Solutions' unit. It is currently indirectly owned by Daily Mail and General Trust Plc, a UK listed company. In 2013, Evenbase generated turnover of £[X] in the UK.

Transaction

11. The parties signed a share purchase agreement on 21 May 2014 pursuant to which StepStone will acquire the entire issued share capital of Evenbase for a consideration of around £90 million. Completion is conditional on several conditions, including confirmation that the Merger will receive clearance by the CMA.
12. The parties formally notified the CMA by providing a complete merger notice on 11 July 2014. The statutory timetable for the CMA's review expires on 8 September 2014.

Jurisdiction

13. StepStone and Evenbase engage in activities which constitute 'enterprises' for the purposes of section 23 of the Act. In addition, StepStone and Evenbase will cease to be distinct pursuant to the share purchase agreement.
14. Evenbase's turnover did not exceed £70 million in the UK in the last financial year, therefore the turnover test is not met. The parties submitted that they do not meet the share of supply test as their combined share of supply in online candidate sourcing does not exceed 25%. Based on Innovantage data, the parties achieved a combined share of job postings in excess of 25% in the supply of job listings on their job boards in the UK (see paragraph 46). Accordingly, the CMA considers that the share of supply test under section 23(4) of the Act is met.
15. The CMA therefore 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 pursuant to section 23(2) of the Act.

⁵ In the last two years, the Evenbase division sold Oilcareers Ltd, Jobrapido srl, and Broadbean Technology Limited.

⁶ Evenbase's key brands are Jobsite.co.uk, Emedcareers.co.uk, and Cityjobs.co.uk. Evenbase also operates a number of "feeder" sites, which generate user traffic to Evenbase's operational job sites.

Frame of reference

16. The parties both provide online candidate sourcing services in the UK. Candidate sourcing is the means by which recruiters aim to fill vacant positions, they may use online or offline channels (such as classified sections of newspapers).⁷ Recruiters comprise companies sourcing potential candidates directly (direct customers) and recruitment agencies doing so on their behalf.

Product scope

17. The parties overlap in the provision of online candidate sourcing services on their main online job sites (or job boards⁸), which operate across sectors in the UK ('generalist job boards'): Totaljobs.com and Jobsite.co.uk. Online candidate sourcing is a two-sided market. On the recruiter-side, the parties advertise job listings on their sites and offer employer branding and CV-search services to recruiters across all industries, geographies and salary bands in exchange for a fee. On the candidate-side, the parties offer job search and application services to job seekers at no cost.
18. The parties also both operate job sites specialising in the recruitment of candidates in the construction and engineering sectors (StepStone operates Careerstructure.com and Evenbase operates Engineerboard, Jobsgroup and recruitconstruction). However, the parties told the CMA that Evenbase's specialist engineering and construction boards are feeder sites for Jobsite.co.uk, which are discontinued operations for revenue purposes. They added that they are in the process of being run down and that they do not have their own customers or their own pricing.⁹ Evenbase also stated that Jobsite.co.uk does not charge a premium for including a job listing on specialist engineering or construction boards, to the extent that any listings are cross-posted from Jobsite.co.uk to the sector-focussed job boards. Therefore, the CMA has not considered specialist (sector-focussed) job boards further.
19. The parties submitted that candidates and recruiters are heterogeneous groups. They stated that candidates are a highly diverse pool of workers, covering a broad range of demographics, who have different needs and capabilities, while recruiters comprise both: companies of all sizes sourcing potential candidates directly and recruitment agencies doing so on their behalf. They consider that as a result there is that there is a multiplicity of channels through which employers may source candidates, all of which should be assessed as one single product frame of reference. They listed word of mouth

⁷ Only Evenbase provides recruitment software services.

⁸ A job board is a website which posts jobs supplied by recruiters and/or grants access to its CV database.

⁹ Based on Schedule 7 to the share purchase agreement, [§].

and referrals, in-house recruitment, recruitment agencies, public service providers, classified sections of newspapers, online candidate sourcing services (such as the parties), and social media platforms as channels through which candidates are sourced. The parties nevertheless also provided information in relation to online candidate sourcing in the UK.

20. In *RANDSTAD / VNU*¹⁰, the parties in that case argued that in accordance with previous European Commission (EC) decisions, online advertising should be distinguished from offline advertising and the markets should be considered as national markets. The EC did not conclude and assessed the merger on the basis of the narrowest possible product market in that case: the provision of online job advertising at the national level.
21. Given that the parties overlap in the provision of online candidate sourcing services through generalist websites, the CMA considers that it is appropriate to use this as the starting point when assessing the frame of reference. It then assessed whether there is evidence to narrow or widen this possible frame of reference.¹¹ It notes that this is also in line with a previous EC decision.

Constraint from sector-focussed (specialist) job sites

22. Online sites compete with each other to secure job listings from recruiters. The CMA considers that, based on the parties' and third party responses, the main parameters of competition include the price for online candidate sourcing services and the quality and/or quantity of candidates who match the recruiter's criteria.¹²
23. The parties submitted that online candidate sourcing includes a variety of players, including (i) companies and recruitment agencies advertising vacancies on their own websites; (ii) online versions of newspaper classifieds; (iii) generalist jobsites operating across the full spectrum of industry categories and qualification levels (for example, Reed, LinkedIn, Monster, CV Library and Careerbuilder); and (iv) sector-focused job sites (for example, TES.co.uk, and jobs.ac.uk).
24. As noted above, the parties primarily overlap in the provision of candidate sourcing services through generalist job boards. The CMA has assessed whether the product scope should be wider than generalist job boards and

¹⁰ Case COMP/M.2057 - *RANDSTAD / VNU / JV* – European Commission decision of 30 August 2000.

¹¹ OFT1254, *Merger Assessment Guidelines*, September 2010 ([Merger Assessment Guidelines](#)), at paragraph 5.2.11.

¹² Another parameter of competition is the customer service offered by some job sites.

include sector-focused job sites and other job sites, such as aggregators¹³ and LinkedIn¹⁴.

25. With respect to sector-focused job sites, Innovantage data shows that for each sector it collects data for, sector-focused job sites account for a significant proportion of job listings compared to generalist job sites. Third parties indicated that they choose which job sites to use for candidate sourcing based on site performance, most commonly measured as cost per application and/or hire. Based on the limited information available to it on the level of switching between generalist job sites and sector-focused job sites, on a cautious basis, the CMA has assessed the Merger on the basis of the provision of candidate sourcing services by generalist job boards only.
26. As regards aggregators and LinkedIn, the CMA notes that these are earning significant revenues from online candidate sourcing services. The largest aggregator's revenues amount to approximately [X] of each of the parties' revenues in the UK, while LinkedIn has a higher turnover than Jobsite.¹⁵ Third parties generally indicated that they consider Indeed and LinkedIn as competitors to the parties. However, the majority of third parties who responded to its investigation told the CMA that they would not switch away from online job boards in the event of a 5% price rise.¹⁶
27. For the reasons set out above, the CMA has therefore, on a cautious basis, assessed the Merger on the basis of the provision of online candidate sourcing services via generalist job boards. The extent of any constraint posed by aggregators and LinkedIn is taken into account in the competitive assessment. In any event, it did not find it necessary to conclude on the precise scope of the frame of reference because the Merger does not give rise to competition concerns on any plausible basis.

Possible segmentation of generalist job boards by sector

28. The CMA considered whether it was appropriate to segment generalist job boards by sector on the recruiter side.
29. The parties told the CMA that although a customer (in particular, companies using job boards directly) may be active in a particular sector, larger customers recruit across multiple sectors, and that the classifications by sector are not well

¹³ Aggregators, such as Indeed, collect job listings from company career pages and other job sites. Indeed uses a pay per click revenue model. The aggregator can either browse the employer's careers website for vacancies or employers can submit a direct feed of their job openings. They provide services that are complementary and/or similar to that of the parties.

¹⁴ It is possible to post job adverts on LinkedIn (offering a service similar to the parties'). It also provides access to its professional networking services.

¹⁵ Source: Enders Analysis.

¹⁶ [Merger Assessment Guidelines](#), at paragraphs 5.2.9 ff.

defined. In addition, they submitted that even customers active in a single sector or industry may recruit across multiple sectors (for example, a retail customer may need to fill secretarial, sales and logistics positions at the same time). The parties also submitted that they charge a single price to each customer for their services, which is determined by negotiations between that customer and the parties and [redacted]. The parties finally added that it would not be commercially feasible to set different prices to customers for jobs advertised in different sectors. A competitor of the parties told the CMA that setting different prices based on the various sectors would not be practical.

30. Overall, based on the evidence available to it, the CMA has not considered it appropriate to segment further the product scope of generalist job boards by sector.

Possible segmentation of generalist job boards by customer group

31. The CMA notes that due to the nature of negotiations, the parties are able to adjust fees based on the recruiter's ability to negotiate (see paragraph 29 above). The parties have two main groups of customers: employers recruiting directly and recruitment agencies. The CMA therefore considered whether to segment the market by type of customer.¹⁷
32. Third party responses to the CMA's investigation indicated that recruitment agencies place a higher number of job listings than direct customers, [redacted]. Third parties indicated that although recruitment agencies [redacted], in general they face the same set of potential suppliers.¹⁸ However, third party responses also indicated that some recruitment agencies (in particular those operating a flat fee model) may have access to a narrower set of suppliers than other recruiters, such that the effects of the Merger may differ. The CMA has therefore assessed whether the Merger may lead to an SLC for flat fee recruitment agencies separately from other customers (direct customers and general recruitment agencies).

Geographic scope

33. The parties submitted that the narrowest appropriate geographic scope is the UK. They stated that, on the demand-side, many candidates may be prepared to relocate. Furthermore, they added that recruiters make use of a range of candidate sourcing channels regardless of their physical location. On the supply side, they stated that many suppliers have national coverage. They also

¹⁷ [Merger Assessment Guidelines](#), at paragraphs 5.2.28 ff.

¹⁸ [Merger Assessment Guidelines](#), at paragraph 5.2.30.

submitted that there is no material difference in price or characteristics of the online offering for any geographic area smaller than the UK.

34. The CMA considered whether a geographic scope narrower than the UK would be appropriate in this case. It notes that StepStone operates a generalist job site for Northern Ireland (NIJobs). However, Evenbase does not operate any regional sites for Northern Ireland.
35. The narrowest geographic scope on which the parties' activities overlap in the provision of online candidate sourcing services through generalist job boards is the UK. In addition, third parties did not indicate that the geographic scope should be wider or narrower. The CMA has therefore assessed the Merger on the basis of a UK-wide market.

Conclusion on frame of reference

36. The CMA has assessed the Merger on the basis of the following frames of reference:
 - the provision of online candidate sourcing services on generalist job boards to recruiters in the UK. The CMA considered flat fee recruitment agencies separately.
 - the provision of online candidate sourcing services on generalist job boards to candidates in the UK.

Counterfactual

37. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (that is, the counterfactual). In practice, the CMA generally adopts the pre-merger 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 considers that the prospect of prevailing conditions continuing is not realistic or where there is a realistic prospect of a counterfactual that is more competitive than prevailing conditions.¹⁹
38. In this case, there is no evidence supporting a different counterfactual than the prevailing conditions of competition, and the parties have not put forward

¹⁹ See [Merger Assessment Guidelines](#), at paragraphs 4.3.5 ff.

arguments in this respect. Therefore, the CMA considers the prevailing conditions of competition to be the relevant counterfactual.

Horizontal unilateral effects

39. Where products are differentiated, for example by branding or quality, unilateral effects are more likely where the merger firms' products compete closely.²⁰ The CMA has therefore assessed closeness of competition between the parties' generalist job boards.
40. As noted above and in line with the parties' and third parties' submissions, online candidate sourcing is a two-sided market. A feature of the two-sided market is that the recruiter and the candidate sides of the market are linked by an indirect network effect. A job board is more attractive to a recruiter if it has a large pool of suitable candidates, since the recruiter will be able to reach a larger pool of candidates for a certain price. Similarly, a job board may also be more attractive to a candidate the more jobs are advertised on it. Network effects may lead to tipping points. For instance, if one job board had access to a substantially greater share of unique customers than other sites, both the recruiter and candidate sides of online candidate sourcing could tip towards that job board.²¹
41. In this context, the CMA notes that the extent to which users on either side of online candidate sourcing multi-home may affect the degree of substitutability between different jobsites. If two job boards attract the same set of candidates, they are likely to be highly substitutable from the perspective of a recruiter and so closer competitors. If two job boards attract different sets of candidates, recruiters who want to use both job boards may find them less substitutable.
42. Further, the CMA considers that certain recruiters may find some job boards to be less substitutable to job boards that have access to a large pool of unique candidates.²² Therefore, job boards with a large share of unique candidates may have market power beyond their share of supply. The CMA has therefore considered the degree of multi-homing across job boards and whether the

²⁰ [Merger Assessment Guidelines](#), at paragraph 5.4.6.

²¹ See paragraphs 71 ff.

²² This is likely to be the case for recruiters who require access to a larger pool of potential candidates, for example if they are recruiting for a large number of positions.

Merger may create a large share of unique candidates for the parties' generalist job boards.

Recruiter side of online candidate sourcing

43. The CMA assessed whether the Merger gives rise to a realistic prospect of an SLC as a result of unilateral effects on the recruiter side of online candidate sourcing services via generalist job boards in the UK.

Shares of supply

44. The parties submitted that they have a combined share of supply of [20 to 30%] based on data from WARC²³ and Enders analysis (this data is based on 2013 revenue).²⁴ However, this data includes aggregators, LinkedIn and specialist boards.
45. The parties estimated that their combined share of supply for specialist online recruitment is [20 to 30%] (excluding LinkedIn and Indeed) and [10 to 20%] (including LinkedIn and Indeed).²⁵
46. Based on data provided by the parties on the volume of job listings (collected by Innovantage)²⁶, the parties' combined share of supply is around [30 to 40%] for all job boards (including sector-focussed or specialist job sites and LinkedIn) and [20 to 30%] for generalist job boards only.
47. The CMA notes that the majority of third parties that responded to its investigation stated that the parties did not have a share of supply in excess of 25% in online candidate sourcing.²⁷
48. However, the CMA considers that these shares of supply need to be treated with caution as the parties' and other suppliers' products are differentiated.²⁸ Also, the CMA notes that it received share of supply estimates from the parties and third parties that were significantly different.²⁹ The CMA has therefore

²³ WARC is company offering in particular market data in advertising. Enders Analysis provides research services covering the media, entertainment, mobile and fixed telecommunications industries in Europe.

²⁴ They stated that as WARC does not capture all online recruitment revenue, the share will be an over-estimate.

²⁵ Based on WARC data and Enders' estimates of recruitment advertising revenues for some of the main players who are not included in the WARC data. They estimate that the total for specialist online recruitment (including LinkedIn and Indeed) amounts to £277 million. The estimate for specialist online recruitment includes some sector-focussed job sites as it is not possible to remove sector-focussed revenue from the WARC data (WARC does not publish details of the companies included in its panel).

²⁶ The parties noted that this data suffers from several issues which does not make it reliable as a basis for calculating shares of supply. In particular, they stated that: (i) Innovantage data collection and processing techniques are difficult to fully understand, (ii) not all sites are included within Innovantage data, and (iii) Innovantage can include duplicated listings, thus reducing its reliability.

²⁷ The CMA had asked third parties whether they considered that the parties have a combined share of supply in excess of 25% in a reasonable description of goods and services in the UK.

²⁸ [Merger Assessment Guidelines](#), at paragraph 5.3.2.

²⁹ Nevertheless it notes, that the various sources for the shares of supply show that the parties' combined share of supply does not exceed [30 to 40%] in online candidate sourcing services on generalist job boards in the UK.

considered closeness of competition between the parties and the competitive constraints that they will continue to face after the Merger.

Closeness of competition

49. The parties submitted that most of Jobsite's customers are recruitment agencies, while Totaljobs' customers are mainly employers using its services directly. The parties each have different pricing models.
50. The CMA assessed closeness of competition between the parties' generalist job boards by reviewing data on pay per click advertising, internal documents, third party responses, and Comscore data submitted by the parties.
51. Totaljobs' internal documents suggest that although the parties are close competitors, they are not each other's closest competitor.³⁰ For instance, Totaljobs' recent internal documents refer to [X] as providing a strong competitive constraint.
52. The majority of third parties indicated that the parties are close competitors. They also frequently listed the following competitors as close competitors to the parties: Reed, Monster, CV Library. Other competitors mentioned were Careerbuilder, Indeed, LinkedIn, and online versions of newspaper classifieds. The extent to which they were considered to be close competitors to the parties depended on the third party.³¹
53. In addition, the parties used Comscore data on audience duplication and cross visiting to produce estimates of the percentage of one website's users who also visit other named websites. The data demonstrates that Totaljobs and Jobsite are no closer competitors than other job boards, including CV library, Reed and Monster, as they have a [X] lower percentage of overlapping visitors between themselves than between either party and CV Library, Reed and Monster. Data on pay per click advertising shows that [X] is the competitor that Totaljobs pays the most to be associated with and that Jobsite pays a significant proportion of its pay per click advertising to be associated with [X].³² The data on pay per click advertising can be interpreted as a measure of closeness of competition.³³

³⁰ Internal documents provided by Jobsite do not include sufficient information on competitors.

³¹ See footnote 2.

³² The CMA has calculated for each party the other party's share of total pay per click advertising compared to other competitors.

³³It notes that some degree of caution should be attached to interpreting the pay per click data as it is not clear that the highest expenditure would be associated with the closest competitor.

Constraint from other job sites, including aggregators and LinkedIn

54. The parties and some third parties told the CMA that there are around 1000 job sites in the UK.
55. The parties submitted that due to the significant amount of multi-homing, the merged entity will not have access to a greatly increased pool of recruiters post-Merger.³⁴ They also provided Innovantage data which shows that only 2% of recruiters using eight large job boards (CV Library, Jobserve, LinkedIn, Monster, Reed and Trinity Mirror and the parties' sites) used both parties' sites and only the parties' sites. The parties also submitted that these customers would in any event have access to a range of other options.³⁵
56. The CMA notes that the parties' internal documents suggest that in addition to other job boards [redacted] have been successful at winning customers from the parties.³⁶ The majority of third parties who responded to the CMA's investigation indicated that LinkedIn and/or Indeed are competitors to the parties³⁷.
57. In addition, some third parties indicated that aggregators are likely to become an increasingly strong constraint. Several third parties also stated that online candidate sourcing is fragmented with a vast number of players and that it is highly dynamic. They noted that the introduction of job aggregators and social networks only occurred to any significant scale in the last 3 to 5 years, and that they disrupted online candidate sourcing.
58. This is also supported by evidence from the candidate side which shows that both Indeed and LinkedIn are growing their share of visitors more than other players in online candidate sourcing in the UK. Between June 2011 and March 2014, the number of UK visitors on LinkedIn increased from approximately 6,000,000 to around 7,500,000; on Indeed, it increased from around 3,000,000

³⁴ In 2013, Jobsite had [redacted] of the number of vacancies advertised on Totaljobs. However, [redacted] of these vacancies were with clients that also posted on Totaljobs (due to the significant amount of multi-homing). TNS report for *Totaljobs Market potential Totaljobs 2013 – UK Clients & prospects of Totaljobs*.

³⁵ See in particular paragraphs 19 and 23.

³⁶ See footnotes 13 and 14.

³⁷ See footnote 2.

to approximately 4,000,000.³⁸ It remained around [X] with slight variations for StepStone and around [X] for Jobsite.

59. A majority of third parties also stated that newspaper online job sites and sector-focussed job sites compete with the parties.

Conclusion

60. The CMA notes that the parties' combined share of supply does not exceed [30 to 40%] on a value and volume basis on the recruiter side and is under [10 to 20%] on the candidate side. The CMA notes that the site with the most visits on the candidate side is LinkedIn. In addition, the evidence suggests that the parties are not each other's closest competitor and that a large number of competing job sites will remain post-Merger (including other generalist job boards, specialist job sites, online newspaper sites, aggregators and LinkedIn). The CMA considers that recruiters will have several options for posting job listings post-Merger.
61. The CMA therefore does not consider that there is a realistic prospect that the Merger will give rise to a SLC as a result of horizontal unilateral effects on the recruiter side of online candidate sourcing services in the UK.

Flat-fee recruitment agencies

62. Two flat fee recruitment agencies that responded to the CMA's investigation raised concerns about a possible price increase as a result of the Merger.³⁹ They noted that the parties' sites are very important to them as they only use generalist job boards (they do not use LinkedIn and Indeed) and that other job boards have increased their prices recently. They also submitted that obtaining discounts is tough and that prices have only risen in the past few years.
63. Flat fee recruiters indicated that they place greater weight on advertising on as many job sites as cheaply as possible compared to other recruiters. They consider that no single job board is viewed by all candidates and thus that they need to advertise on as many online job boards as possible in order to maximise the chance of finding the best candidate. This is in line with research

³⁸ Source: comScore monthly unique visitors. Figures have been deseasonalised. The CMA notes that there were some variations with a relative increase for all sites between December 2012 and December 2013.

³⁹ Based on third party responses, the CMA notes that the service that they offer sits in between a job board and a traditional recruitment agency (they rarely provide a candidate vetting process), and are acting in similar way to a buying group (that is, aggregating the demand of a number of customers to get lower prices).

conducted by Onrec which showed that candidates usually sign up for 1 to 2 job boards, with some signing up for 5 to 6.

64. The parties stated that flat fee recruitment agencies account for less than 2% and 1% of Totaljobs and Jobsite's revenue, respectively. The parties were, however, not able to provide an estimate of their share for the supply of online candidate sourcing services to flat fee recruitment agencies.
65. The CMA refers to its assessment for other recruiters at paragraphs 44 to 61. The parties face the same competitors, including Reed, Monster, CV Library, Indeed, LinkedIn and online newspaper job sites. The parties' combined share of supply of online candidate sourcing services on their generalist job boards does not exceed [30 to 40%] (see paragraphs 44 to 48). Their combined share of unique visitors does not exceed [10 to 20%]. In addition, the CMA did not receive material competition concerns from third parties,⁴⁰ including general recruitment agencies. The majority of third parties who responded to the CMA's investigation considered that online candidate sourcing was competitive and that they had options.
66. Based on information provided by flat fee recruiters on the job listings they placed and the responses they received, the parties accounted for around 30% of responses received for the job listings they posted.
67. Responses from third parties suggest that generalist job boards are increasing prices to flat fee recruitment agencies independently of the Merger and that the market may be evolving. [redacted]. A competitor to the parties indicated that they are selective with the flat fee recruiters they work with. It stated that flat fee recruiters act as a reseller of job board advertising space and do not add significant value and that it can no longer afford to service some of them.
68. The parties submitted that neither of them differentiate between flat fee recruitment agencies and other customers.⁴¹ They stated that they both supply flat fee recruitment agencies on the same contractual basis as other recruitment agencies. Totaljobs told the CMA that it had no plans to change its pricing policies with [redacted] as a result of the Merger.
69. Overall, on the basis of the evidence available to it, and in particular the competitive and dynamic nature of the market, the CMA does not consider that there is a realistic prospect that the Merger will give rise to a SLC as a result of

⁴⁰ Other than the two flat fee recruitment agencies referred to above.

⁴¹ In particular, the parties noted that (i) flat fee recruiters are not distinguishable from other agencies unless they specifically identify themselves as a flat fee recruitment agency and (ii) flat fee recruiters may also offer more traditional recruitment services and the parties would not be able to distinguish between the two.

horizontal unilateral effects in the provision of online candidate sourcing services to flat fee recruitment agencies in the UK.

Candidate side

70. The CMA has assessed whether the parties would have a high share of supply on the candidate side of online candidate sourcing, which would give them market power on the recruiter side through indirect network effects.

Shares of supply

71. Based on comScore data, the parties' combined share of unique visitors amounts to around [5 to 10%] to [10 to 20%] (including LinkedIn and Indeed) and [10 to 20%] (excluding LinkedIn and Indeed) for generalist job boards.⁴² ComScore data also shows that their share of supply fell between June 2011 and March 2014.

Competitive assessment

72. The CMA notes that third party responses and ComScore data indicate that aggregators' and LinkedIn's presence is increasing in online candidate sourcing in the UK. The two largest aggregators (Indeed and jobrapido) account for around 11% of visitors. ComScore data also shows that Indeed's share of audience is growing faster than that of other players and that LinkedIn has the most visitors compared to any job site.
73. Other competitors to the parties include Reed, Monster, CV-Library, and Careerbuilder, as well as numerous other competitors with smaller shares of visitors.
74. ComScore data suggests that Indeed and LinkedIn are particularly successful at attracting candidates. The CMA notes that strength on the candidate side of the online candidate sourcing is likely to make them more attractive to recruiters. One third party indicated that they believe there will be a gradual move towards firms such as Indeed. Another third party stated that Indeed is ranked first according to comScore data and that LinkedIn is ranked above other job sites.
75. Overall, based on the evidence available to it, and in particular the parties' relatively low combined share of supply of unique visitors, the number of

⁴² Source: comScore data. The parties noted that although it is in principle possible to remove sector-focussed sites, aggregators and LinkedIn from the share calculations, this was complicated by a number of issues. In particular, the parties visited manually the top 50 sites covered by comScore to ascertain whether it is a 'generalist job board' and carried out sensitivities for other sites. They either considered them to be generalist job boards (providing a lower bound on the share) or considering them all not to be generalist job boards (providing an upper bound).

competitors to the parties, the dynamic nature of the market and the increasing presence of Indeed and LinkedIn, the CMA does not consider that the Merger will lead to a realistic prospect of an SLC in the supply of online candidate sourcing services to recruiters through indirect network effects.

Barriers to entry and expansion

76. On the basis that the CMA does not consider that there is a realistic prospect that the Merger will lead to an SLC in online candidate sourcing in the UK, the CMA does not consider it necessary to assess barriers to entry and expansion.
77. However, in its assessment above the CMA has taken into account the dynamic nature of the market, and in particular the evidence of the increasing presence of Indeed and LinkedIn.

Third party views

78. As part of its investigation, the CMA received comments from several competitors and customers of the parties, as well as a market data provider.
79. The majority of third parties who responded to the CMA's investigation did not raise competition concerns. A great number of these third parties noted that online candidate sourcing is a dynamic and highly competitive sector. Some stated that although there are only few large suppliers, there are numerous smaller niche suppliers.
80. The CMA received competition concerns from two flat fee recruitment agencies. The CMA refers to its competitive assessment above and notes that the harm referred to in these concerns will not result from the Merger.
81. One competitor of the parties told the CMA that the market is generally competitive but that the merged entity may try to increase prices post-Merger due to their position in certain sectors, while noting that customers might switch to other suppliers. It also noted that the parties' strength and audience could give them the ability to increase prices. The same third party also noted that indirect network effects would be hard to achieve in the UK because it is a competitive market. The CMA has taken this third party's concerns in its assessment above.
82. Concerns were raised that the merged entity might decide to stop indexing content with aggregators and that it might also negotiate exclusivity arrangements with recruiters. The CMA refers to its competitive assessment above (see in particular paragraph 60) and notes that the merged entity will face constraints from a number of competitors post-Merger. In addition, based

on evidence provided by third parties, the parties' combined share of unique visitors is relatively low. The CMA therefore considers that there is no realistic prospect that the potential harm referred to in these concerns will result from the Merger.

83. A third party mentioned that they would have less choice post-Merger if both sites are merged into one. The parties nevertheless indicated that their generalist job boards will continue to be operated separately post-Merger. In any event, the CMA considers, as set out above, that the parties will continue to face several competitors after the Merger.
84. Third party comments have been taken into account where relevant in the decision.

Decision

85. This Merger will therefore **not be referred** under section 33(1) of the Act.