Attachment

Re: The Result of the Review on the Integration of salesforce.com, inc. and Slack Technologies, Inc.

I. Parties Group

salesforce.com, inc. is a company headquartered in the United States that mainly engages in the business of providing CRM (Customer Relationship Management) software. Slack Technologies, Inc. is a company headquartered in the United States that mainly engages in the business of providing business chat services. Hereinafter, the terms in the left column of the table below shall be described as shown in the right column.

Left column	Right column
salesforce.com, inc.	Salesforce
A group of companies that have already formed an integral relationship with Salesforce as the ultimate parent company	Salesforce Group
Slack Technologies, Inc.	Slack, Inc.
A group of companies that have already formed an integral relationship with Slack, Inc. as the ultimate parent company	Slack Group
A group of companies comprised of Salesforce. and Slack, Inc.	Parties
A group of companies comprised of Salesforce Group and Slack Group	Parties Group
Slack as a business chat service	Slack

II. Overview of the present case and relevant provisions of law

In the present case, the Parties Group plans to integrate Salesforce and Slack, Inc. by share acquisition and merger (hereinafter referred to as the "Transaction").
The relevant provisions are Articles 10 and 15 of the Antimonopoly Act.

III. Background of the JFTC Review, etc.

1. Background of the JFTC Review

On December 1, 2020, the Parties made public their plan for the Transaction, and on and after that day, they voluntarily submitted written opinions contending that they did not consider that the Transaction would substantially restrain competition and the relevant materials to the Japan Fair Trade Commission (“JFTC”). Upon the request of the Parties Group, the JFTC exchanged opinions with the Parties on several occasions.
The JFTC carefully examined the contents of the written opinions and materials, and conducted several interviews with competitors and customers. In addition, the JFTC carefully examined the set of materials that were actually used at various meetings such as board of directors meetings and minutes of such meetings whose submission was requested by the JFTC to the Parties Group, as well as the Parties Group’s internal materials pertaining to competition analysis regarding the Transaction.

Subsequently, on June 2, 2021, the Parties Group submitted notifications of the plan concerning the Transaction in accordance with the relevant provisions of the Antimonopoly Act. The JFTC accepted the notifications and commenced Phase 1 review. Based on the above-mentioned notifications of the plan and written opinions and materials submitted by the Parties Group, as well as the results of interviews with competitors and customers and economic analysis, the JFTC proceeded with the review of the competitive impact of the Transaction. In addition, the Transaction was also reviewed by overseas competition authorities and the JFTC exchanged information with the Australian Competition and Consumer Commission and the U.S. Department of Justice in the course of the review.

2. Viewpoint of Review of the Transaction and Summary of the Result of the Review

In the present case, Salesforce is mainly engaged in the business of providing CRM software, and Slack, Inc. is engaged in the business of providing business chat services. Since all of these products and services are used for the common purpose of improving the efficiency of operations and communications by companies as users, there is a certain complementarity between each other. In addition, both products and services provide a function of integrating the respective products and services with other applications (including business chat services for CRM software and CRM software for business chat services) through APIs[1]. By utilizing such integration functions, users of both products and services can build a more efficient business environment optimized to their own needs. In light of these circumstances, the Transaction may give rise to a problem of foreclosure of or exclusion from the market if the Parties Group does not provide such integration function to competitors of CRM software and business chat services, or excludes competitors by treating the Parties Group more favorably than competitors.

Due to the above, the JFTC, among the products and services offered by the Parties Group, conducted the review in relation to CRM software and business chat services from the viewpoint of review for conglomerate business combinations (i.e., refusal to provide APIs for integration, combined supply (bundling/tying), exchange of confidential information, etc.).

As a result of this review, the JFTC concluded that the Transaction would not substantially restrain competition, as will be explained in Sections IV. through VIII. below.

[1] API (Application Programming Interface) is a mechanism to enable use of functions and data of certain software from other software. The main users of APIs are developers of software such as applications and website operators. Since API users can use APIs by inputting the [programmed] function of the necessary functions in accordance with the relevant terms of use, they may create software such as applications using such functions without programming it themselves, and improvement of the efficiency of application development and reduction of development costs may be expected. In addition, API providers may expect to benefit from the effect of promoting open innovation and expanding existing business.

IV. Overview of Products and Services, etc.

1. Overview of CRM Software (Products and Services Provided by Salesforce), etc.

(1) Overview of CRM software

CRM software is a type of software for Customer Relationship Management which is a tool that centrally manages information related to all contact points with customers from marketing to sales and customer support (customer contact information, purchase history, business negotiation status, etc.), and enables all personnel of related departments to easily access such information through display on a user interface excellent in browsability. In addition, CRM software enables improvement of work efficiency through various functions such as a function to automate communication with customers, to propose the next steps to be carried out, to predict the probability of receiving orders, etc.

As described above, CRM software has various functions, and these functions are respectively implemented in CRM software that are provided in a package or individually (see Section (2) below for the specific types). The form of introduction of CRM software differs depending on the user. For example, for a relatively large enterprise where departments such as sales department, marketing department and a call center are separate, there are cases where a certain type of CRM software having a specific function is individually introduced to each of these departments. By contrast, for a relatively small or medium-sized enterprise whose departments are not clearly divided, there are cases where a package of CRM software having multiple functions from a single CRM software provider is introduced.

According to a private research company, the market size of CRM software in Japan keeps expanding, and it is predicted that such expansion will continue in the future.

Therefore, the market of CRM software is very vigorous, and is expected to greatly grow and evolve in the future.

(2) Types of CRM software

Different types of CRM software are offered according to the situations in which they are used, such as for sales, customer service, marketing, and e-commerce. Many leading CRM software suppliers offer various types of CRM software with these different functions in their lineups, while some suppliers offer only those types of CRM software with specific functions.

The outline of each type of CRM software and its main functions are described in detail below.

A) CRM software for sales

Sales activities are activities conducted toward prospective customers whose demand for purchase has been realized through marketing activities. In sales activities, it is common to follow the process of hearing requirements, etc., selecting appropriate products, presenting estimates, negotiating the terms of the contract, and finally entering into a contract.

Such a process usually involves more than one person, and due to circumstances, such as different persons being in charge of the same customer depending on the product, it is common that the information on a customer has not been compiled or insufficiently compiled, and this often results in inefficiency of sales activities (i.e., uncertainty of who has what information, complexity of progress management due to the lack of visibility of progress of project, etc.).
CRM software for sales is a software to resolve such inefficiency of sales activities, and is also called sales force automation (SFA). The functions of CRM software for sales include the following:

(a) Function to centrally manage customer information and sales information
It can aggregate customer information and sales information into one platform, and easily call out such information from a user interface with high browsability. Information which used to be scattered in various forms such as in oral, e-mails, document files, spreadsheets, etc. is aggregated and shared within the department and hence maldistribution of information is resolved.

(b) Function to visualize project progress
It enables users to visually confirm which phase in a sales process the negotiation with each customer is at (for example, first visit, hearing of requirements, selection of products, presentation of estimates, contract negotiations, signing, etc.). It also enables the superior to easily grasp the progress of each sales activity.

(c) Function to provide customer-specific information exchange tools
Tools which enable communication between the relevant persons in the company (SNS, chat, etc.) are prepared for each customer, thereby making it easier to exchange information and request necessary information within the company.

(d) Function to propose next steps and prospect of contract
AI analyzes past data and automatically proposes the next step to be taken and the prospect of reaching a contract.

B) CRM software for customer service
Customer service is a service which responds to query from customers on products and solves the problems, such as provision of support and handling of complaints after the products are sold. Formerly, when a business operator would sell a product to a customer and then the customer who purchased the product would contact the call center, the business operator did not always have a system to easily grasp information such as what kind of product the customer purchased, what kind of communication had taken place in the past, what kind of product the customer purchased in the past, and what kind of support the customer received[2].

[2] For example, the ticket system is the mainstream in the conventional customer support, and it is often managed focusing on the ticket allocated for every occurrence of incidents.

In addition, there are a variety of communication methods taken at present from the customer who purchased the products to communicate with the business operator who sold the products (in addition to the conventional methods such as e-mail and telephone, the number of customers who use message applications and direct messaging of various types of SNS are increasing), and the importance of the capability to support customers regardless of the tool used by customers (referred to as "omni-channel") is increasing.
CRM software for customer service is software used to respond to the needs in such customer service and to improve the efficiency of customer service. The functions of CRM software for customer service include the following:

(a) Function to manage customer support on a customer-by-customer basis
The purchase history, support history, etc. in the past are aggregated into one database centering on the customer, and users of CRM software for customer service can offer support while browsing the data on a unified user interface.

(b) Function to automate and streamline customer responses
It automatically responds to questions through chatbots[3], etc. and automatically generate suggested answers in accordance to the questions.

(c) Function to provide omni-channel tools
Allows business operator using the CRM software selling a product to a customer to uniformly deal with the customer regardless of the tools used by such customer.

C) CRM software for marketing
Marketing refers to general activities that publicize and promote company's products to potential customers, which lead to the purchase of the company's products. In order to conduct marketing activities effectively, it is necessary to understand the interest of prospective customers and to appropriately promote the purchase of the products at the time when they have an increased desire for purchase. Therefore, it is important to develop campaign activities such as continuous direct mail transmission and coupon distribution, and to continuously measure its effects and improve it.

[3] Products or services that helps automated real-time communication through chat.

Traditionally, such activities have been conducted manually by sales and marketing personnel. However, it becomes more difficult as the number of prospective customers increases to decide the content and timing of an effective campaign corresponding to each customer, and to ensure continuous contact within limited resources in a thorough manner.
CRM software for marketing is software which solves the foregoing issues through automating marketing activities, and it is also called marketing automation (MA). The functions of CRM software for marketing include the following:

(a) Function to automatically generate campaign contents
For each customer registered in the database, the activities (e.g., from which website has he/she jumped to the company's website, which pages of the company's website he/she has viewed, and what other websites he/she visits) are analyzed, and the appropriate contents of the campaign for each customer (e.g., selection of products to be included in the campaign, whether coupons are distributed, the contents of the coupons, etc.) are automatically generated and proposed.

(b) Function to automatically determine the timing of transmission of campaign information
It analyzes prospective customer data and automatically develops plans as to when to contact them.

(c) Function to automatically and continuously transmit campaign information
It automatically and continuously notifies prospective customers of the generated contents of a campaign at a proper timing.

(d) Function to continuously measure and improve effects
The effect measurement of the executed campaign is carried out, and the results of which will be automatically reflected and on the contents and notification timing of the following campaigns to be suggested.

D) CRM software for e-commerce
E-commerce (electronic commerce) is a service which sells products on the Internet, and delivers the products which a consumer ordered on the Internet using personal computers or smart phones to the designated place. At present, a wide variety of products such as food, daily goods, books, electronic devices, clothing, furniture, and medical supplies are handled by e-commerce. The challenges of such e-commerce for distributors (suppliers) include the optimization of handling consumer orders and methods for attracting customers.
CRM software for e-commerce is software for solving the foregoing challenges and to improve work efficiency of e-commerce.

The functions of CRM software for e-commerce include the following:

(a) Function to optimize the process from order acceptance to delivery
It supports merchandising (when, where, and how to display products) by e-commerce distributors, and enables effective utilization of inventory and order processing at each base by enabling to check product inventory in real time. These functions enable optimization of the process from order acceptance to delivery.

(b) Function to create campaigns and promotions
It determines and proposes the timing and contents of effective campaigns and promotions based on consumer behavior, distribution channels, sales regions, etc.

(c) Function to personalize consumers
It enables automatic suggestion of personalized recommendations based on the items consumers clicked.

(3) Integration function of CRM software

Major CRM software suppliers, including Salesforce, have a function to link and integrate CRM software with applications developed by third parties and systems developed by users themselves[4] (hereinafter referred to as "third-party applications") by opening related APIs to third-party developers of applications and users (hereinafter referred to as the "integration function"). For example, by integrating with applications which have video calling functions, users (employees of a user) can use the video calling functions and talk to the other party without leaving the screen of CRM software (in other words, on the interface of CRM software without launching the video calling application on a separate screen). Thus, by utilizing the integration function, users can freely combine and integrate CRM software and third-party applications used by the users, and construct a more efficient business environment optimized to the needs of the users. The utilization of integration function by each of third parties and users is described in detail below.
First, a third-party application developer can freely add the integration function with CRM software to its own application by using API made publicly available by the CRM software supplier. Applications with the integration function may be distributed in any way, for example, by the application developer through its website. In addition, some CRM software suppliers host an application market for their services so that third-party application developers can easily distribute applications with the integration function and users can easily search for and introduce such third-party applications.

[4] As a means for users to develop the system independently, they may have their internal IT team to carry out the development, or an alternative means would be to retain outside operators called SIers (abbreviation of System Integrator).

For example, Salesforce hosts "AppExchange", which is an application market for its services, and users of Salesforce's CRM software can select and introduce applications published on "AppExchange" that meet their needs and integrate them with Salesforce's CRM software[5].
Users can achieve the integration by, for example, (i) using applications with the integration function created by third-party application developers, (ii) independently building programs with the integration function (hereinafter referred to as "Custom Codes"), and (iii) using applications that connect to and integrate multiple services and applications[6] (generally referred to as iPaaS[7]). Among them, integration by the methods (ii) and (iii) can be carried out even if third-party application developers do not provide an application that deploys the integration function with CRM software, as long as APIs are open to users.

(4) Deployment methods of CRM software

The deployment methods of CRM software mainly include on-premise (the user builds its own server environment and then operates and manages the system), SaaS (the system is operated and managed on a server environment [cloud] built by other companies, and users use the software by accessing the server), or a hybrid system combining both[8].

[5] These application markets only provides access to applications having the integration function with the CRM software, and do not distribute other general applications. Therefore, the JFTC considered that these application markets is merely ancillary services of CRM software.

[6] Regardless of whether they are on-premise or SaaS.

[7] iPaaS (Integration Platform as a Service) is a service called "Connector" that provides programs for linking between clouds or between clouds and on-premise.

[8] It is generally said that on-premise deployment requires in-house server construction, and therefore a large amount of cost is incurred at the time of initial introduction, but the running cost is only the relatively low maintenance costs (however, it will be required that the IT department of the company deals with software updates, etc.). It is also advantageous in that security, etc. can be decided in the discretion of the company according to the importance of data therein. On the other hand, SaaS deployment requires low initial costs because it does not require the construction of in-house servers, etc., and does not require in-house software updates, but it is necessary to continue to pay subscription fees as running costs. This subscription fee increases in price in proportion to the amount of data used, so the more users who use per subscription, the higher the subscription fee. In addition, since the security environment depends on providers of SaaS, it is often difficult to construct a flexible security environment to meet the requirement of the company in comparison with the case of on-premise. Thus, there are differences between on-premise and SaaS mainly in terms of price structure, maintenance management, and flexibility in security design.

(5) CRM software provided by Salesforce, data it collects and stores, and its use of data by Salesforce

A) CRM software offered by Salesforce

Salesforce mainly offers "Sales Cloud" as CRM software for sales, "Service Cloud" as CRM software for customer service, "Marketing Cloud" as CRM software for marketing, and "Commerce Cloud" as CRM software for e-commerce. All of these CRM software have the integration function with third-party applications, etc.

In addition, all of Salesforce's CRM software are available as SaaS, not on-premise.

B) Data collected and stored by Salesforce and their management methods

Salesforce collects and stores two types of data, "customer data" and "usage data".

"Customer data" refer to data entered by users in the process of using the Salesforce's CRM software. For example, if users use Sales Cloud, data entered by users regarding customers of users, prospective customers, and sales activities of users, and if users use Marketing Cloud, data regarding persons who have signed up (created an account) to receive e-mails from users, and data regarding e-mail exchanges between users and customers of users, these data fall under this category.

By contrast, "usage data" refers to data concerning the use of services of Salesforce by users. For example, data such as the number of e-mails sent in Marketing Cloud over a period of time, the number of errors that occurred on a particular web page or function, and which functions of Salesforce's services are most frequently used by users fall under this category.

Salesforce protects these two types of data and treats user-specific usage information as confidential information. In addition, among these data, the data of users is subject to access restrictions, and even employees of Salesforce are not allowed to access such data except for those who need to access the data of users.

C) Use of data by Salesforce

Salesforce is strictly restricted in its contracts with users to use customer data obtained from them. That is to say, Salesforce is not allowed to use the collected customer data for its business purposes without the consent of users, except as necessary to provide and ensure the proper operation of its services and related systems. In other words, customer data of a user will not be used to provide services to another user or to improve the overall products of Salesforce without the user's consent.

Salesforce may also use the users' data to train an AI algorithm with the purpose of designing new services and improving existing services, but this is also done with the consent of users.

(6) Network effects related to the CRM software market

As described in Section (3) above, many CRM software suppliers provide the integration function with third-party applications. Therefore, in general, the more the users who use specific CRM software (business operators who are users of CRM software), the more incentives for third-party application developers to provide applications with the integration function with such CRM software. In addition, the more the applications that have the integration function with CRM software are provided, the more attractive the CRM software becomes for users in turn, which is considered to be a market where so-called "two-way indirect network effect" works. In such a two-sided market, given that the marginal cost of supplying CRM software is low and the supply capacity of CRM software is unlikely to become an issue, there is a possibility that a specific business operator will rapidly increase its market share. As such, when assessing the effect on competition in the market of CRM software, it is necessary to also take such indirect network effects into account.

2. Overview of Business Chat Services (Products and Services Provided by Slack, Inc.), etc.

(1) Overview of business chat services

Business chat services are services for carrying out one-to-one, one-to-many, or many-to-many text-based real-time communication mainly within a company[9] using the Internet, and there are also services with video- and voice-calling functions and services with the integration function with third-party applications, etc. The introduction form of business chat services varies by the user, and in some cases, a single service is introduced in the whole company, and in other cases, different services are introduced in each department. In addition, there are many cases where both email and business chat services are used for different purposes, such as using email for external communication and using business chat services for internal communication, and there are also cases where multiple business chat services are introduced in the company in parallel.
According to the private research company, the market size of business chat services in Japan is expanding, and it has grown significantly in recent years.

[9] Traditionally, business chat services have been provided as a tool used for in-house communication of companies, but as described in Section (4)-A) below, there are signs that the use of business chat services is expanding for communication with outside companies, such as Slack, Inc's introduction of Slack Connect.

In addition, according to Slack, Inc., the market of business chat services is immature, in which large innovation is continuously occurring, and this trend is becoming stronger as companies promote remote working in response to the COVID-19 pandemic, and this market is expected to grow and change significantly in the future.

(2) Characteristics of business chat services

Business chat services emerged as alternatives to email, which had been a popular means of communication for enterprises, and their use has been expanding. The main features of business chat services compared to email are as follows.

A) Simplicity

Business chat services adopt the user interface as if users are talking to each other, and it is assumed that communication accumulates based on the previous communication. Therefore, unlike email, etc. which basically requires information to be completed in a single transmission, communication in chat tends to be in short sentences, and uncomfortableness in using casual expressions that are close to spoken language is relatively little, thereby providing the advantage of lowering the barrier to communication.

B) Immediacy

As mentioned above, business chat services are characterized by the fact that it is easier to exchange instant messages than by email because they allow casual exchanges in short sentences like conversations. In addition, instant communication is emphasized in business chat services, and some of them have the function which is similar to such as the so-called "Like" function on SNS, which allows users to display various reactions to posts with *emoji* with a single click (in Slack, the equivalent is called "Reacji").

C) Searchability

In many business chat services, all past exchanges are preserved, and it is possible to easily search the contents of chat using the search function. [10] The search function is also available for chat groups that the user is not a member to (see Section D below), although this depends on the setting by the administrator, and users may also search through messages of a chat group they belong to that were exchanged before they joined.

[10] The user can select the scope of search it desires, such as within a single chat group or across all chat groups.

Therefore, for example, when a new member joined an existing project, previously it was necessary for the existing member to forward multiple related emails and for the new member to catch up and understand the status of the project; whereas in business chat services, by joining a chat group of the relevant project, the new member can check the past exchanges in chronological order and it is possible to easily understand the status of the project without the help of the existing member by searching back into the past exchanges for necessary information.

D) Communication centered on chat groups

In business chat services, a group of chat participants (each business chat service use various names such as chat room, channel, chat group, etc., hereinafter referred to as "chat group") can be easily created for each group having a certain common characteristic such as belonging to the same department, a business group, a job title, a project team, or sharing common topics of interest, and each user shall utilize this as a basic unit of communication. Users who join a particular chat group are free to post messages to the group and communicate with other participants.[11] In conventional email, it was possible to achieve the same purpose by sending to the necessary members, but it is difficult to realize the same usability as business chat services because it is necessary to search the relative mail chain again in order to contact the same members, delete the subject line of email and the past exchanges every time the topic changes, and it is difficult for the newly joined members to confirm the past exchanges as described in Section C) above.

E) Integration with other applications

As described in Section (3) below, most business chat services have the integration function with third-party applications, etc., and the function can be called up directly from the chat screen of the integrated third-party application, etc.

(3) Integration function of business chat services

Major business chat services deploy the integration function with third-party applications, etc. by opening the related APIs to third-party application developers and users. For example, by integrating with file storage services and video-conferencing applications, users can invoke and use features of other services without having to leave the business chat service's screen (and without launching the integrated application on a separate screen).

[11] There are cases where the users are free to join certain chat groups, or cases where they are required a permission from the administrator to join. In addition, although it is necessary to participate in a chat group in order to post a message, it may not be necessary to participate in a chat group in order to view exchanges within the chat group. Thus, the form of provision of a chat group varies depending on the setting of the supplier of the business chat service or the administrator.

Similarly, users of business chat services can create a chat group with an automatic notification function and an automatic response function by integrating chatbot and the like built by themselves.[12] In this way, users can build a more efficient business environment optimized for their needs by freely combining and integrating business chat services and third-party applications, etc. through the integration function.
As in Section IV-1-(3) above, third-party application developers can freely add the integration function with business chat services to their applications using APIs opened by business chat service providers and distribute the applications through the developers' websites, etc. Also, some business chat service providers offer an application market for their services, for example, Slack, Inc. operates "App Directory", which is an application market for their services. Users of Slack will be able to select and introduce applications that meet their needs from among those published on "App Directory," and integrate them with Slack.
Users can achieve the integration by (1) using applications with the integration function created by third-party application developers as described above, (2) building custom codes on their own, and (3) using iPaaS.

(4) Business chat service provided by Slack, Inc., the data it collects and stores, and its use of data

A) Slack, Inc.'s business chat service

Slack, Inc. offers Slack, a business chat service for internal communication. Each Slack user is assigned working space(s) called "Workspace". Customers can create any number of chat groups called channel in the Workspace, and can use chat functions, video- and voice-calling functions, and the integration function with third-party applications, etc. and other functions based on channels. In June 2020, Slack, Inc. released a service called "Slack Connect" to use Slack for external communication, which enables Slack users to communicate with organizations outside the company (up to 20 companies) on Slack, as well as internal communication.[13]

[12] An example of utilizing the automatic notification function is the integration of a program that automatically notifies an input deadline for attendance and absence related matters in a human resource related chat group, and an example of utilizing the automatic response function is the integration of a program that automatically responds to questions from employees in an in-house support chat group.

[13] However, it is necessary that both communicating parties use Slack in order to utilize Slack Connect.

B) Data collected and stored by Slack, Inc. and method of data management

Slack, Inc. collects and stores two kinds of data, "customer data" and "other information", from users under its privacy policy.

"Customer data" refers to all data provided by individuals belonging to the user. For example, messages on channels, direct messages, uploaded files, profile information and the like fall under this category.

"Other information" refers to data derived from the use, etc. of Slack. For example, Workspace and account information[14], service metadata[15], log data, device information, location information, information on third-party applications, etc. used via App Directory, contact information, third-parties data[16], and Cookie information fall under this category.

For handling situations of emergency, Slack, Inc. grants access to customer data only to a specific group of engineers, and all system commands executed by engineers to browse customer data are to be recorded in the log. In addition, an unauthorized operation (whether by insiders or otherwise) to browse customer data that is not required in relation to [the operator's] work shall be detected when such operation is done. Slack, Inc. also conducts a quarterly access review, in order to confirm on a regular basis that access is granted based on the work needs of its employees. Moreover, when an authorized employee leaves the company, Slack, Inc. typically revokes their authorization of access to all systems within 24 hours.

C) Use of data by Slack, Inc.

Under Slack, Inc.'s privacy policy and terms of service, Slack, Inc. may not use the collected and stored "customer data" unless it is necessary for the performance of services of Slack, or instructed by the customer.

As to the "other information" collected and stored, Slack, Inc. has stated that its main use is for purposes of legal compliance, notification to users, improvement of services (including automatic proposal of channel name and Reacji), clerical work, and potentially to prevent fraudulent acts.

[14] This includes email addresses, phone numbers, passwords, credit card information, bank account information, billing information, etc.

[15] This includes information about the workspaces, channels, people, features, content and links exchanged by individuals, the types of files shared, and the third-party services used (if any).

[16] This includes data obtained from parent companies, affiliates, subsidiaries, Slack's partner, etc., relating to the organization, industry, website visitors, marketing campaigns and other Slack operations used to make Slack's own information more informative.

(5) Network effects in the market for business chat services

Including Slack, Inc., some business chat service providers have started to provide business chat services that enable communication with parties outside the company. Such business chat services between external organizations are in the situation where a certain business chat service becomes more attractive to users as the number of users who use the business chat service (enterprise users of business chat services) increases, which is considered to be a market where so-called direct network effect works. In such market, given that the marginal cost of providing business chat services is low and the supply capacity of such services is unlikely to become an issue, there is a possibility that a particular business operator will increase its market share rapidly. Thus, in considering the competitive impact in the market for business chat services, it is necessary to take the existence of services that enable communication between external organizations and the direct network effects that occur in relation to such services into account.

In addition, as described in Section (3) above, many business chat services provide the integration function with third-party applications, etc. Therefore, in general, as the number of users using a specific business chat service increases, the incentive for third-party application developers to provide applications that have the integration function with the business chat service increases. In addition, the more the applications that have the integration function with the business chat service are provided, the more attractive the business chat service becomes for users in turn, which is considered to be a market where the so-called two-way indirect network effect works. In such market, given that the marginal cost of providing business chat services is low and the supply capacity of such services is unlikely to become an issue, there is a possibility that a particular business operator will increase its market share rapidly. Thus, in considering the competitive impact in the market for business chat services, such indirect network effects should also be taken into account as well as the above direct network effects.

V. Definition of a particular field of trade

1. CRM Software

(1) The scope of product and service

A) Substitutability between different types of CRM software

(a) Demand substitutability

CRM software users selectively introduce the type of CRM software with the function necessary for the business activities of their companies. For example, they may introduce CRM software with the function to centrally manage customer information and sales information in order to optimize their sales processes.

Moreover, as stated in Section IV-1-(2) above, because the main functions of CRM software differ for each type according to the purpose thereof, for example, it is not possible to use CRM software for marketing or CRM software for customer service to achieve the same purpose as that of CRM software for sales.
Therefore, there is no demand substitutability between different types of CRM software.
However, CRM software is also offered in the form of a package consisting of multiple types, and where such packaged CRM software is introduced, users may select the CRM software as a whole rather than by each type. For example, in certain cases such as where small- and medium-sized users whose business responsibility of each department is not clearly divided introduce CRM software with multiple functions, there is a demand for packaged CRM software. In defining the scope of product and service, it is necessary to consider such actual situation of the market.

(b) Supply substitutability
It is not necessarily easy to develop and offer different types of CRM software with different functions without incurring a large additional cost and risk, because there is little overlap in know-how between each type of CRM software, and there are business operators that only provide a specific type of CRM software.
Therefore, the supply substitutability among different types of CRM software with different functions is limited.
However, major CRM software suppliers already offer multiple types of CRM software with different functions, and in some cases, they provide them in packages. Therefore, in defining the scope of product and service, it is necessary to consider such actual situation of the market.

B) Substitutability between CRM software with and without integration function
(a) Demand substitutability
Regardless of whether the integration function is implemented or not, the basic functions offered by the same type of CRM are the same, and users can alternatively select either CRM software with the integration function or CRM software without the integration function.
However, as mentioned in Section IV-1-(3) above, by utilizing the integration function of CRM software, CRM software users can freely combine and integrate CRM software with third-party applications and the like, thereby building a more efficient business environment.

In fact, over 85% of Salesforce's CRM software users have installed at least one third-party application through AppExchange, the app market of Salesforce, and according to the customer interviews, many users actually integrate and use CRM software with third-party applications and the like. Thus, whether or not CRM software has the integration function is believed to be important for users.
Therefore, demand substitutability is limited.

(b) Supply substitutability
CRM software suppliers place importance on the integration function because of the high needs of users, and in fact, many major suppliers offer CRM software with the integration function.
In addition, even if CRM software does not have the integration function, it is possible for the suppliers to deploy the integration function by opening their own API, and it is not likely that this will cause any incurrence of a large additional cost or risk.[17]
Therefore, supply substitutability is recognized.

C) Substitutability between deployment methods (on-premise or SaaS)
As mentioned in Section IV-1-(4) above, the deployment method of CRM software includes on-premise, SaaS or a hybrid format of the both. CRM software users choose between on-premise, SaaS or a hybrid format of the both, according to fees and the importance of data handled. On this point, regarding the differences in the fee structure based on the deployment method, according to competitor interviews, there was an opinion that the total amount of costs to be paid in the medium- and long-term for users of a certain size or more is not so different no matter which deployment method is chosen. However, especially for small and medium enterprises that do not have as the same level of financial resources as that of large enterprises, SaaS may virtually be the only option when a large initial cost upon on-premise introduction (including costs to purchase and install servers) is required.
On the other hand, according to the customer interviews, there is a tendency to choose on-premise software when a user already has certain data assets or when a user is handling such data that the user wants to avoid any risk of access failure due to server troubles even for a short period of time. However, in light of the increased use of SaaS and security improvements in the recent years, these needs are fluid, and the preference of users who initially preferred on-premise may not be sustained permanently.
As such, it is believed that the differences based on the deployment method of CRM software is becoming relative and fluid, and in fact, according to the internal documents submitted by the Parties, there have been several cases where the users compared SaaS-based CRM software provided by Salesforce with other on-premise CRM software.

[17] It is considered that even business operators who do not currently have an open API can newly open an API in a relatively short time by referencing the API of a competitor who already has an open API.

Therefore, there is a certain degree of demand substitutability among CRM software with different deployment methods. In addition, in recent years, many major CRM software suppliers have been supplying CRM software both on-premise and on SaaS. Therefore, it is necessary to consider the actual situation of such market when defining the scope of product and service.

D) Substitutability based on size and industry type of users

CRM software has different types tailored for certain size and industry type of users, but the basic functions of each type of CRM software do not vary according to the size and industry type of users, and demand substitutability is recognized.

E) Summary

Based on the above, substitutability is recognized between CRM software with the integration function and without the integration function, and among the different size and industries of users. On the other hand, as mentioned in Section A)-(a) above, although substitutability among various types of CRM software are not, in principle, recognized, in certain cases, CRM software may be selected as a whole without considering the substitutability among the different types. In addition, as explained in Section A)-(b) above, the JFTC found the actual competition circumstances where major CRM software suppliers already offer a multitude of different types of CRM software, and provide them in packages. Therefore, it is considered appropriate to define the scope of product and service by the function of CRM software, namely, "CRM software for sales," "CRM software for customer service," "CRM software for marketing" and "CRM software for e-commerce, " and additionally define it by "CRM software as a whole" for packaged products.

CRM software with different deployment methods can be considered to be in the same scope of product and service because they have a certain level of substitutability with one another. However, as explained in Section VII-2 below, since Salesforce has a large market share in SaaS-based CRM software, it is believed that the above mentioned scope of product and service should be further segmented and defined by deployment method, namely, " on-premise-based" and " SaaS-based" from the viewpoint of careful examination.

Therefore, the scope of product and service in the present case should be defined as “SaaS-based CRM software as a whole," " SaaS-based CRM software for sales," " SaaS-based CRM software for customer service," " SaaS-based CRM software for marketing" and “SaaS-based CRM software for e-commerce."

As to on-premise-based CRM software as a whole and on-premise-based CRM software by different types (for sales, for customer service, for marketing and for e-commerce), it shall be assessed as competitive pressure from neighboring markets as discussed in Section VII below.

(2) Geographic scope

Since the functions of CRM software that are provided to users are common in many countries, it may be possible to define the geographic scope as "worldwide." However, when supplying CRM software, certain levels of localization in terms of languages and other factors are necessary for each country, and among CRM software suppliers, while some business operators operate globally, there are also many business operators that operate with a focus on specific countries and regions including Japan. Moreover, the business operators that operate globally have different market shares depending on the country and the region.
Therefore, from the viewpoint of assessing the effect on Japanese users in particular, the geographic scope has been defined as "Japan."

2. Business Chat Service

(1) The scope of product and service

A) Substitutability with communication services for consumers
Communication services for consumers, as represented by LINE, the messaging application, and business chat services have many common functions such as the chat functions and the video/voice call functions. The substitutability between the two services is discussed below.

(a) Demand substitutability
As mentioned above, communication services for consumers and business chat services share the same basic functions such as the chat functions and the video/voice call functions. However, while users of business chat services need, in light of security, functions that enable their IT management departments to perform system administration such as access control, data backup, tracking and integration with their own ID authentication infrastructure, communication services for consumers do not usually implement such functions. As such, users of business chat services cannot use communication services for consumers in compliance with their security policy (access control, usage policy settings, file upload control, etc.).
Also, it is usual in communication services for consumers that the chat contents and exchanged data are stored and managed in servers of service providers without necessarily being separated on a user-by-user basis.

In contrast, in business chat services, data is often stored and managed separately for each user in servers of service providers to ensure security. In this way, there is a difference in security between the two services in terms of the form of data storage.
In fact, according to customer interviews, there are users who exclude communication services for consumers from their consideration because of the difference in data management methods as mentioned above.
Therefore, there is no demand substitutability.

(b) Supply substitutability
While business chat services have many functions in common with communication services for consumers, the two services also have many different functions, including in terms of security and management capabilities. If a provider of a communication service for consumers seeks to implement the same security and management capabilities as that of business chat services, the provider will incur significant additional costs and risks.
In addition, the business models of the two services are significantly different in that, among others, communication services for consumers usually earn revenues by having consumers view advertisements in return for free services, whereas business chat services are monetized by directly charging fees to customers. As such, the change from one business model to another would involve significant additional costs and risks.
Therefore, there is no supply substitutability.

B) Substitutability with e-mail
E-mail and business chat services are similar in that their users communicate through text information. Substitutability between the two services is discussed below.

(a) Demand substitutability
As described in Section IV-2-(2) above, business chat services have unique features different from e-mail, such as simplicity, immediacy and searchability of communications. In addition, users of business chat services use the two services selectively according to their needs. For example, they may generally use e-mail for external communications, and use business chat services for internal communications and communications with certain external parties with whom they need to communicate on an ongoing basis.
Therefore, demand substitutability is limited.

(b) Supply substitutability

User interface and user experience (utility) are greatly different between e-mail and business chat services, and certain know-how would be necessary for optimization as a chat tool.

In addition, while e-mail has a standardized protocol (SMTP, POP3, IMAP, etc.), providers of business chat services each use their own methods. Accordingly, if a business operator that provides an e-mail client, etc. intends to develop a new business chat service, this would involve significant costs and risks.

Therefore, supply substitutability is limited.

C) Substitutability with voice communication and video conferencing services for enterprises

(a) Demand substitutability

Some business chat services deploy voice communication and video conferencing as part of their functionality. However, user's main use of business chat services is as a communication tool using the chat functions. In this regard, some voice communication and video conferencing services for enterprises deploy the chat functions, but the functions are limited and are not an alternative to business chat services. In fact, according to interviews with users, most of them are using other voice communication and video conferencing services even when they are using business chat services equipped with voice communication and video conferencing functions, including Slack. The JFTC therefore considered that users use business chat services and voice and video conferencing services selectively.

Thus, demand substitutability is limited.

(b) Supply substitutability

The voice communication and video conferencing functions in business chat services are only auxiliary functions accompanying the chat functions, and are not its core functions. Likewise, voice communication and video conference services are not services that focuses on chat communications like business chat services. As such, although some of the functions of the two services overlap, there are major differences in the services and the functions they focus on.

Therefore, it is difficult for a business operator providing voice communication and video conferencing services to provide a business chat service, which is characterized by simplicity, immediacy, and searchability, etc. as described in Section IV-2-(2) above, in a short period of time without significant additional costs or risks.

Further, it is also difficult for a business operator providing business chat services to provide voice communication and video conferencing services with a function which targets collaboration among many persons including outside participants, in a short period of time without significant additional costs or risks.

In addition, the internal documents of the Parties Group also indicate that the voice communication and video conferencing services are complementary to their own business chat services, suggesting that they are not in an alternative relationship.
Therefore, supply substitutability is limited.

D) Substitutability between business chat services with and without the integration function
Some users are enthusiastic to coordinate the business chat service with third-party applications to customize them to suit their own business, while others are reluctant to integrate with third-party applications due to their low IT literacy, or not using the integration function due to internal security policies.
However, many users using the paid plans of Slack use some kind of application employing the integration function, and some users wish to use the integration function in the future even if they are not using it at present. In view of these market conditions, the need itself for the integration function in the business chat service market is generally high. Therefore, users may choose the business chat service they adopt in accordance with their internal requests for needs for the integration function.
However, most of the currently-available business chat services have already opened up their APIs, allowing integration with third-party applications. Moreover, even if the integration function is not implemented in the business chat service of a certain business operator, the integration function can be implemented in a relatively short time period without incurring a large additional cost or risk if the integration function is created and published using the API of Slack as reference, for example.
Therefore, the necessity to subsegment the scope of product and service in accordance with the existence of the integration function is low.

E) Substitutability among different deployment methods
As for substitutability between deployment methods, all of the major business chat services are provided in SaaS format and several also provide on-premises services in addition, making SaaS the basic option for users.
In light of such actual market situation, the necessity to subsegment the scope of product and service by the deployment method is low.

F) Substitutability among the size and the industry type of users
Business chat services do not vary in function depending on the size of the users or the industry they are in. In addition, the basic functions required by users for business chat services do not differ depending on their size and industry type.

G) Summary

From the foregoing, no substitutability is recognized between [business chat services and] communication service for consumers, e-mail, and voice communication and video conferencing services for enterprises. On the other hand, the necessity to subsegment the scope product and service according to the existence or nonexistence of integration function, the deployment method, and the scale and industry of users is low.

Therefore, the scope of product and service in the present case is defined as "business chat service".

(2) Geographic scope

Since the functions of business chat services that are provided to users are common in many countries, it may be possible to define the geographic scope as "worldwide." However, when providing business chat services, localization in terms of languages and other factors are required for each country, and among business chat service suppliers, while some business operators operate globally, there are also many business operators that operate with a focus on specific countries and regions including Japan. Even the business operators that operate globally have different market shares depending on the country and the region.

Therefore, from the viewpoint of assessing the effect on Japanese users in particular, the geographic scope has been defined as "Japan."

VI. Applicability of safe-harbor criteria in a particular field of trade

CRM software provided by Salesforce and business chat services provided by Slack, Inc. are not in a competitive relationship, nor is there any vertical relationship of upstream and downstream between the services provided by the two companies. Therefore, the present case constitutes a conglomerate business combination.

The market share of CRM software is as shown in Table 1 of Section VII-2 below, and although it is difficult to obtain the exact figures of the market share of business chat services, figures for reference are shown in Table 2 of Section VII-2 below. On the other hand, there is active innovation in both markets and further growth and change are expected in the future.

Based on the above, in Section VII below, we examine whether the Transaction substantially restrains competition, assuming that the safe harbor criteria for conglomerate business combination[18] do not apply.

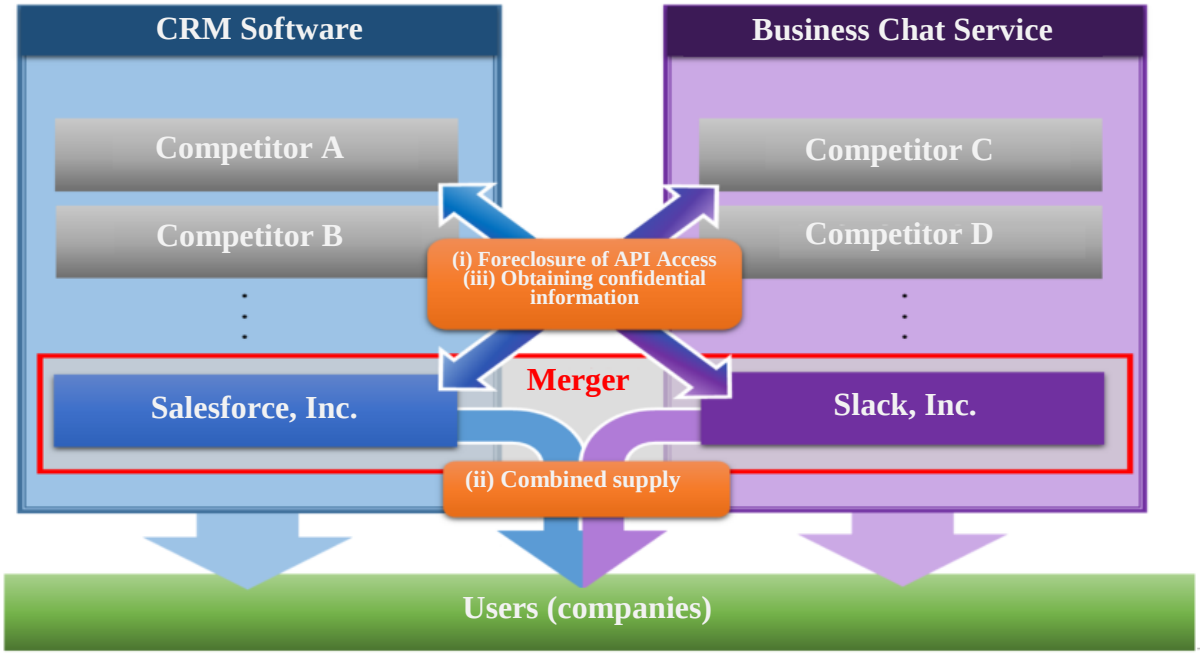
[18] The "Guidelines to Application of the Antimonopoly Act concerning Review of Business Combinations" (May 31, 2004, Japan Fair Trade Commission), Part VI-1(2) states that ordinarily it cannot be understood for a conglomerate combination of enterprises to substantially restrain competition in a particular field of trade if (i) the market share of the company group after the business combination is not more than 10% in all of the particular fields of trade relevant to the company group, or (ii) the Herfindahl-Herschmann Index (which is an index that represents market concentration and is the sum of the squared market share of each business operator in a particular field of trade; hereinafter the “HHI”) is not more than 2,500 and the market share of the company group after the business combination is not more than 25% in all of the particular fields of trade relevant to the company group (such criteria are called "safe harbor criteria").

VII. Assessment on substantial restraint on competition

1. Potential theories of harm in the present case

The main potential theories of harm in the present case are shown in the figure below. That is, with regard to the items (i) and (ii) in the following figure, if Salesforce (or Slack, Inc.) forecloses API access or reduces API interconnectivity (hereinafter referred to as "Foreclosure of API Access") for business chat service suppliers other than Slack, Inc. (or a CRM software supplier other than Salesforce), or supplies Slack (or Salesforce's CRM software) to users in combination with Salesforce's CRM software (or Slack), there is a possibility of causing a foreclosure of or exclusion from the market in the business chat service market (or the CRM software market) (as mentioned below in Sections 3 and 4).[19] In addition, with regard to the item (iii) in the figure below, if confidential information of a competitor is shared among the Parties Group and used by the Parties Group to their own benefit, such competitors may be placed at a competitive disadvantage, which may lead to problems of foreclosure of or exclusion from the market (as mentioned below in Section 5). In addition, there is a possibility that the accumulation of data after the Transaction may cause adverse effects, such as the Parties Group obtaining a competitive advantageous position (as mentioned below in Section 6).

Figure: Outline of potential theories of harm in the present case



[19] As described in Section 3-(1)-A)-(c) below, among users of Salesforce's CRM software, only a small number of Salesforce users have integrated business chat services via AppExchange. In addition, as described in Section 4-(1)-A)-(b) below, only a small number of Slack users integrate CRM software via App Directory. At present, as the number of users who integrate CRM software and business chat services is small, there is no room, in the first place, to raise competitive concerns due to Foreclosure of API Access or combined supply. However, some users who have not yet integrated two services due to reasons such as inconsistencies with their security policies wishes to overcome these problems and promote integration in the future. Therefore, the number of users who wishes to integrate two services may increase further in the future and the complementarity of the two services may possibly be increased. Thus, in the present case, the examination was carefully conducted as described below.

2. Position of the Parties Group and the status of competitors

Table 1 below shows the market share of SaaS-based CRM software (overall and by type) in Japan.

Table 1: SaaS-based CRM Software market share in Japan[20, 21] (revenue basis)

Name of business operator	SaaS-based CRM software market share in Japan (January to December 2020)									
	Overall		Sales		Customer service		Marketing		E-Commerce	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
Salesforce	About 30%	1st	About 75%	1st	About 55%	1st	About 35%	1st	About 45%	1st
Company A	About 15%	2nd								
Company B	About 5%	3rd					About 25%	2nd		
Company C	About 5%	3rd	About 10%	2nd			About 15%	3rd		
Company D	About 5%	3rd	About 0 to 5%	4th	About 15%	2nd	About 5%	5th	About 10%	2nd
Company E			About 5%	3rd						
Company F			About 0 to 5%	4th						
Company G					About 10%	3rd				
Company H					About 10%	3rd				
Company I					About 5%	5th				
Company J							About 10%	4th		
Company K									About 5%	3rd
Company L									About 5%	3rd
Company M									About 5%	3rd
Others	About 35%		About 5%		About 5%		About 10%		About 30%	
Total	100%		100%		100%		100%		100%	
HHI	1,525		5,698		3,680		2,156		2,677	

[20] Market share is shown in increments of 5%. For example, a market share of 47.5% or more and less than 52.5% is shown as "About 50%". Therefore, the total of such values does not always add up to 100. The same shall apply hereinafter.

[21] Prepared by JFTC.

Although it is difficult to accurately determine the domestic market shares for business chat services, we provide the Table 2 below for reference purpose. However, it should be noted that the table may not necessarily reflect the accurate market shares, including because it does not include business chat services provided free of charge.

Table 2: (For reference) Market share of business chat services in Japan[22]
(Revenue basis)

Name of business operator	Market share of business chat services in Japan (fiscal 2019)	
	Value	Rank
Company A	About 25%	1st
Slack, Inc.	About 15%	2nd
Company B	About 10%	3rd
Company C	About 10%	3rd
Company D	About 5%	5th
Others	About 35%	
Total	100%	
HHI	About 1,148	

3. Assessment of market foreclosure or exclusion in the business chat service market

As mentioned in Section IV-1-(5)-A) above, CRM software provided by Salesforce is equipped with the integration function with third-party applications. Therefore, the JFTC examines the possibility that Salesforce may cause foreclosure of or exclusion from the market in the business chat service market through Foreclosure of API Access against business chat service suppliers other than Slack, Inc., or by supplying its CRM software in combination with Slack (hereinafter referred to as "Combined Supply of Slack").

(1) Ability

A) Competition status and impact of indirect network effects (Foreclosure of API Access and Combined Supply of Slack)

(a) Market share

Table 1 in Section 2. above shows Salesforce's market share in Japan for the overall SaaS-based CRM software and SaaS-based CRM software by types. Although Salesforce is the number one company in the market for the overall SaaS-based CRM software and the SaaS-based CRM software for marketing, its respective market share remains below approximately 35%, and there are several leading competitors in the both markets.

[22] Prepared by JFTC.

On the other hand, in Japan, Salesforce has a high share of about 75% in the market of the SaaS-based CRM software for sales, about 55% in the market of the SaaS-based CRM software for customer service, and about 45% in the market of the SaaS-based CRM software for e-commerce. In this regard, in light of indirect network effects that work in the CRM software market as described in Section IV-1-(6) above, such high market share generally gives third-party application developers a strong incentive to integrate Salesforce's CRM software with their own applications, and accordingly, the impact of the Foreclosure of API Access may become large if a third-party application cannot be integrated with Salesforce's CRM software. In the same way, given Salesforce's high market share, the impact of the Combined Supply of Slack by Salesforce, if ever made, on the markets would be generally considered to be large.

(b) Competitive pressures from competitors and neighboring markets

As described in Section (a) above, judging from the market share, it is generally considered that the Foreclosure of API Access may have a large impact on third-party application developers, and the Combined Supply of Slack by Salesforce is also considered to have a large impact on the markets. However, there is a competitor with about 10% of market share in the CRM software market for SaaS-based CRM Software for sales. Moreover, in the market of on-premise-based CRM software for sales, which is a neighboring market, there are several predominant business operators, and they are competing with Salesforce in certain actual business negotiations. Thus, neighboring markets are exerting competitive pressure.

Salesforce has competitors with about 15% or 10% of market share in the market of SaaS-based CRM software for customer services as well. Moreover, in the market of on-premise CRM software for customer services, which is a neighboring market, there are predominant business operators and they are competing with Salesforce in certain actual business negotiations. Thus, neighboring markets are exerting competitive pressure.

Furthermore, there is a competitor with about 10% market share in the market of SaaS-based CRM software for e-commerce. Moreover, in the market of on-premise-based CRM software for e-commerce, which is a neighboring market, there are predominant business operators, and they are competing with Salesforce in certain actual business negotiations. Thus, neighboring markets are exerting competitive pressure.[23]

[23] The Parties submitted an economic analysis report using Salesforce's Win/Loss data (which generally means "data entered by sales representatives, describing information such as the customer name, amounts, competitor names, results of sales such as orders received/orders lost for each business case" and is often used in the economic analysis in the business combination examination mainly for the purpose of understanding the degree of competition between the parties and the degree of competition between the parties and competitors in a horizontal business combination, but is sometimes also an useful source of information for non-horizontal business combination like the present case). The JFTC conducted an evaluation of this report. The result of such analysis suggested that there is a certain degree of competitive pressure. This is an element to reinforce the decision described in the main text of this document.

(c) State of integration of CRM software and business chat services, and degree of importance of integration functions

CRM software and the business chat services do not provide indispensable functions to each other, but can be used on a standalone basis without integrating with each other. Only a small number of users of CRM software offered by Salesforce have actually integrated business chat services such as Slack through AppExchange. Thus, in view of little progress in the use of business chat services with the integration functions, there is no strong motivation for business chat service providers to provide applications with the integration function with CRM software. Then, the impact of Salesforce's position in the CRM software market on competition in the business chat service market is considered to be limited because the integration function between CRM software and business chat services is not so important at least at the present time, whereas indirect network effects may be found between Salesforce's CRM software and applications developed by third parties in general, as mentioned in Section IV-1-(6) above.

B) Extent of the foreclosure effects caused by Foreclosure of API Access

Examining the scope of foreclosure effects caused by the Foreclosure of API Access, the use of specific types of CRM software is limited to sales departments, customer centers, and some other departments of the user companies. However, as described in Section VI-2-(1) above, several or different business chat services may be adopted by each department (That is to say, a company-wide use of a business chat service is not necessarily required and some departments may use their own business chat services that are different from the one used in the whole company.).

Then, even if Salesforce engages in the Foreclosure of API Access with respect to business chat services other than Slack in relation to a specific type of CRM software, only certain specific departments of each user will be affected. Accordingly, a user company will not be required to switch all business chat services it uses (that may have a more company-wide impact) to Slack in response to the Foreclosure of API Access.

Moreover, even if there is a possibility that the relevant department may switch the business chat service it uses to Slack, it is unlikely that competing business chat services will be excluded because many other departments, such as accounting, general affairs, and legal, will continue to use business chat services other than Slack.

Similarly, given that only a small number of users of CRM software offered by Salesforce actually integrate business chat services such as Slack via AppExchange, as mentioned in Section A)-(c) above, the users who will consider switching of business chat services upon the Foreclosure of API Access by Salesforce will be limited to a small number of users who have integrated CRM software with business chat services (In other words, for the majority of users that have not integrated the two services, existence or non-existence of Foreclosure of API Access has no significant impact on the selection of the business chat service that they use.).
Therefore, the JFTC considered that the extent of the foreclosure effects that the Foreclosure of API Access by Salesforce would have on business chat service providers other than Slack would be very limited.

C) Methods for users to integrate CRM software and business chat services in the event of the Foreclosure of API Access

As mentioned in Section IV-1-(3) above, users can integrate CRM software with third-party applications by building Custom Codes or using integration apps such as iPaaS as long as Salesforce opens its APIs to users, in addition to the method of introducing it through AppExchange. In this regard, Salesforce cannot and does not know what kind of third-party applications users integrate with Salesforce's CRM software using Custom Codes or integration applications. Therefore, even if Salesforce engages in the Foreclosure of API Access for business chat services other than Slack, users still can continue to integrate with business chat services other than Slack by other means such as building Custom Codes on their own or using an integration application, and Salesforce cannot grasp and block such integration.

D) Summary

Based on the above, the JFTC considered that Salesforce does not have the ability to cause issues of market foreclosure or exclusion by engaging in the Foreclosure of API Access or making the Combined Supply of Slack.[24] That said, in view of the fact that Salesforce has particularly high market share in the markets of SaaS-based CRM software for sales, customer service, and e-commerce, as shown in Table 1 in Section 2. above, and that further growth of and changes in those markets are expected in the future by virtue of active innovation, the JFTC will also examine incentives for foreclosure in Section (2) below out of an abundance of caution.

[24] In the JFTC's interviews with users, some users stated that there are certain hurdles to switching from Salesforce's CRM software to another company's software because the functions provided and the data storage format may differ from supplier to supplier. Meanwhile, other users say that the hurdle of switching is not necessarily high depending on the introduction situation, for example, where CRM software is introduced only in a specific department. Thus, there are different opinions on the ease of switching CRM software. However, regarding Salesforce's CRM software, data stored in CRM software of Salesforce can be migrated to other companies' CRM software by virtue of a function implemented in it which enables users to export their own data in a lump in a general data format called CSV file. From this fact, it seems difficult to say that it is generally difficult for users to switch from Salesforce's CRM software to those offered by other companies.

(2) Incentives

As described in Section (1) above, only a part of the departments of user companies uses each type of CRM software, and the number of users who actually integrate CRM software with business chat services is small. In such a situation, even if the Foreclosure of API Access is implemented, very few users of the business chat services will be affected.

However, the JFTC's interviews with competitors and customers have revealed that users of CRM software recognize that one of the central values of Salesforce's business is that high convenience can be realized by enabling integration with as many third-party applications as possible (which is called "Best of Breed"), and if Salesforce engages in the Foreclosure of API Access or the Combined Supply of Slack, the foundation of Salesforce's business would be damaged. Based on such opinion, it is considered that the Foreclosure of API Access and the Combined Supply of Slack by Salesforce would not only have a very limited foreclosure effect, but would also cause users to doubt the concept of "Best of Breed," which is the basis of Salesforce's business, and would also result in the loss of indirect network effects that it has enjoyed by enabling the integration with numerous third-party applications. Thus, the JFTC considered that the Foreclosure of API Access and the Combined Supply of CRM software would pose a great risk in terms of business continuity and reputation.

Therefore, Salesforce does not have any incentive to cause issues of market foreclosure or exclusion by engaging in the Foreclosure of API Access and the Combined Supply of Slack.

(3) Conclusion on market foreclosure or exclusion in the business chat market

Based on the above, the JFTC found no possibility that Salesforce's attempt on the Foreclosure of API Access and the Combined Supply of Slack by Salesforce after the Transaction would give rise to the issue of market foreclosure and exclusion in the business chat service market[25].

[25] In respect of whether there are any incentives for Salesforce to foreclose APIs and provide business chat services as part of the combined supply, the JFTC considered conducting an economic analysis using a method of vertical calculation, which evaluates whether or not the Parties have incentives for foreclosure by calculating "profit from foreclosure" and "profit to be lost from foreclosure" respectively and comparing them using profit rates of the Parties based on internal data submitted by the Parties and public information, but did not conduct such analysis due to some reasons including limitations on the available data.

4. Assessment of market foreclosure or exclusion in the CRM software market

As mentioned in Section IV-2-(3) above, Slack is also equipped with the integration function. Therefore, the JFTC examines the possibility that market foreclosure or exclusion may occur in the CRM software market if Slack, Inc. engages in the Foreclosure of API Access for CRM software suppliers other than Salesforce or if Slack, Inc. supplies its business chat service combined with Salesforce's CRM software (the "Combined Supply of CRM Software").

(1) Ability

A) Competition status and impact of indirect network effects (Foreclosure of API Access and Combined Supply of CRM Software)

(a) Market share and competition status

While the exact market share of Slack, Inc. in the business chat service market is unknown, it cannot be said that Slack, Inc. has a high market share, given that its market share is approximately 15% at a maximum, as shown in Table 2 in Section 2 above. Since there are some competitors that are not included in the table, the actual market share of Slack, Inc. is considered to be lower than the figure shown in the table[26] [27].

In addition, there are many users that have introduced business chat services not at a company-wide level but at each department level. Moreover, users can use multiple business chat services in parallel according to the purpose and contacts (multi-homing), and there are users that are actually using them in parallel.

[26] As mentioned in Section IV-2-(4)-A) above, in June 2020, Slack, Inc. released Slack Connect, which enables communication with external organizations. If the service becomes widespread, its market share may increase rapidly by virtue of direct network effects (See Section IV-2-(5) above.). However, at present, the direct network effect of Slack Connect, which was released only less than one year ago, cannot be said to be conspicuous. In addition, competition may be intensified by possible releases of similar services by competitors in the future. Therefore, at least at the present time, such direct network effects should not be overestimated.

[27] The JFTC conducted an evaluation of an economic analysis report using Slack Inc.'s Win/Loss data submitted by the Parties. The result of such analysis suggested that there was a certain degree of competitive pressure. This is an element reinforcing the decision described in the text of this document.

(b) Status of integration of business chat services and CRM software, and degree of importance of integration function, etc.

The business chat services and CRM software do not provide indispensable functions to each other, and can be used on a standalone basis without integrating with each other. Only a small number of users of Slack have actually integrated with CRM software via App Directory. Thus, in view of little progress in the use of CRM software with the integration function, there is no strong motivation for CRM software suppliers to provide applications with the integration function with the business chat services. Then, even if Slack has a high market share in the market of business chat services for users, the impact of its position on competition in the CRM software market is considered to be limited because the integration function between business chat services and CRM software is not so important at least the present time, whereas indirect network effects may be found between Slack and applications developed by third parties in general, as mentioned in Section IV-2-(5) above.

B) Extent of foreclosure effects caused by Foreclosure of API Access

In the situation described in Section A) above, many of the business chat service users that do not use any CRM software would not be affected by the Foreclosure of API Access by Slack, Inc. In addition, in the case of a user which uses CRM software offered by a supplier other than Salesforce and also uses a multitude of business chat services including Slack in combination, considering that switching of CRM software requires a certain amount of cost, it is more likely that in the event of the Foreclosure of API Access, the user would choose to discontinue the use of Slack and switch to a service other than Slack that has been already used rather than to switch to CRM software offered by Salesforce. Furthermore, even with respect to users that are using CRM software and a single business chat service, it would be only a limited number of users who have actually integrated the business chat service with CRM software that would consider switching their CRM software in the event of the Foreclosure of API Access by Slack.

Therefore, the JFTC considered the extent of the foreclosure effects that the Foreclosure of API Access by Slack would have on CRM software suppliers other than Salesforce would be very limited.

C) Methods for users to integrate business chat services and CRM software in the event of the Foreclosure of API Access

As mentioned in Section IV-2-(3) above, users can integrate business chat services with third-party applications by building Custom Codes or using integration applications such as iPaaS as long as Slack, Inc. opens its API to users, in addition to by the method of introducing it through App Directory. In this regard, Slack Inc. cannot and does not know what kind of third-party applications users integrate with Slack using Custom Codes or integration applications. Therefore, even if Slack, Inc. engages in the Foreclosure of API Access for CRM software other than those offered by Salesforce, users still can continue to integrate with CRM software other than those offered by Salesforce by other means such as building Custom Codes on their own or using an integration application, and Slack, Inc. cannot grasp and block such integration.

D) Summary

Based on the above, the JFTC considered that Slack, Inc. does not have the ability to cause issues of market foreclosure or exclusion by engaging in the Foreclose of API Access or making the Combined Supply of CRM Software[28]. That said, in view of the fact that it is difficult to understand the exact market share of Slack in the business chat service market, as shown in Table 2 in Section 2 above, and that further growth of and changes in the market are expected in the future by virtue of active innovation, the JFTC will also examine incentives for foreclosure in Section (2) below out of an abundance of caution.

[28] In the JFTC's interviews with users, some users state that switching of the business chat service in use is not easy, because the cost of changing the means of daily communications is large. In addition, although there is an option of returning to e-mail which has the same basic functions and is already widely used (because the business chat service is not a "must have" software for doing business), some users question this option by saying, "Once you use the business chat service, you can't expect to return to an email-only environment." On the other hand, there are different opinions on the ease of switching the business chat service, such as that switching from Slack to another business chat service is relatively easy because there is no high need for the business chat service to take over all the conversations in the past (The lack of this need is similar to the fact that many companies only store e-mails for the past few years.), and that the files or data exchanged in the business chat are generally considered to be stored in areas other than Slack, including integrated third-party apps. However, regarding Slack, users can migrate data stored on Slack to other companies' business chat services by virtue of a function implemented in it which enables users to export their own data in a lump in a general data format called JSON file (which stands for JavaScript Object Notation, a general file format with human-readable text that can be easily analyzed and imported by other business chat services). From this fact, it seems difficult to say that it is generally difficult for users to switch from Slack to services offered by other companies.

(2) Incentives

As shown in Table 2 in Section 2. above, there are several other major competitors on the business chat service market other than Slack, Inc., and users may be using multiple business chat services in parallel. Therefore, if Slack, Inc. engages in the Foreclosure of API Access or the Combined Supply of CRM Software, it is considered quite likely that users of CRM software other than those offered by Salesforce will switch to business chat services other than Slack.

In addition, business chat services may be introduced by user companies not on a company level but on a department level, and only a small number of Slack users actually integrate CRM software through App Directory. In such a situation, even in the event of the Foreclosure of API Access, only a small number of CRM software users would be affected.

On the other hand, the JFTC's interviews with competitors and customers have revealed that users of business chat services recognize that "Best of Breed" is one of the core values of Slack, Inc.'s business, as in the case of Salesforce and if Slack, Inc. were to engage in the Foreclosure of API Access or the Combined Supply of CRM software, the foundation of its business would be damaged. Based on such opinion, it is considered that the Foreclosure of API Access and the Combined Supply of CRM Software by Slack, Inc. would not only have a very limited foreclosure effects, but would also cause users to doubt the concept of "Best of Breed," which is the basis of Slack, Inc.'s business, and would result in the loss of indirect network effects that it has enjoyed by enabling the integration of numerous third-party applications. Thus, the JFTC considered that the Foreclosure of API Access and the Combined Supply of CRM software would pose a great risk in terms of business continuity and reputation.

Therefore, Slack, Inc. does not have any incentive to cause issues of market foreclosure or exclusion by engaging in the Foreclosure of API Access and the Combined Supply of CRM Software.

(3) Conclusion on market foreclosure and exclusion in the CRM software market

Based on the above, the JFTC found no possibility that the Foreclosure of API Access and the Combined Supply of CRM Software by Slack, Inc. after the Transaction would give rise to the issue of market foreclosure and exclusion in the business chat service market[29].

[29] Regarding the presence or absence of incentives for Slack of Foreclosure of API Access and combined supply of CRM software, the JFTC considered conducting an economic analysis using a method of vertical calculation, which evaluates whether or not the Parties have incentives for foreclosure by calculating "profit from foreclosure" and "profit to be lost from foreclosure" respectively and comparing them using profit rates of the Parties based on internal data submitted by the Parties and public information, but did not conduct such analysis due to limitations of the data.

5. Possibility that confidential information of competitors is shared within the Parties Group

As discussed so far, CRM software and business chat services provided by each company of the Parties Group can be integrated with each other. Since such integration is possible by simply opening the parties' respective APIs, it is difficult to imagine that competitively important confidential information would be exchanged in the process. Therefore, it is unlikely that Salesforce will acquire confidential information on a business chat service other than Slack as a matter of course when integrating its CRM software with such business chat service. Similarly, it is unlikely that Slack, Inc. will acquire confidential information on CRM software other than Salesforce as a matter of course when integrating its business chat service with such CRM software.
Therefore, the JFTC considered that confidential information of the competitors will not be shared within the Parties Group.

6. Possibility of the use of collected and stored data

As stated in Sections B) and C) of IV-1-(5) and Sections B) and C) of IV-2-(4) above, each of the Parties collects and stores data of certain users, and uses them for education of AI algorithms, among others, in order to design new services and improve existing services. Since such information may include unique and large amounts of sensitive data that contribute to AI algorithm education, such as users' sales data, chat conversation data, and files attached in the process, it becomes an issue if the accumulation of such data causes adverse effects in that it gives a competitive advantage to the Parties Group.
In this regard, as mentioned in Sections B) and C) of IV-1-(5) and Sections B) and C) of IV-2-(4) above, each of the Parties is required under its contract or terms of use to obtain the relevant users' consent or instruction to use the data called "customer data" that contain particularly sensitive contents. In addition, certain measures, such as encryption and access restrictions, are taken to prevent arbitrary use of such data. Moreover, it is difficult to anticipate at this point that the combination of data collected and stored through CRM software and business chat services will create any great business value.
Thus, it is unlikely that the accumulation of data after the Transaction would result in adverse effects in that it gives a competitive advantage to the Parties Group.

VIII. Conclusion

The JFTC decided that the Transaction would not substantially restrain competition in any particular fields of trade.

End