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IN THE MATTER OF THE PROPOSED ACQUISITION BY TELEPERFORMANCE SE OF THE ENTIRE ISSUED AND OUTSTANDING SHARE CAPITAL OF MAJOREL GROUP LUXEMBOURG S.A.

MAO Case No. M-2023-020

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COMMISSION DECISION NO. 20-M-020/2023

This refers to the proposed acquisition of Teleperformance SE (Teleperformance) of shares of Majorel Group Luxembourg S.A. (Majorel) (hereinafter collectively referred to as Parties). The Parties submit this acquisition (the Transaction) to the Philippine Competition Commission (the Commission) for review.[1]

Upon careful review of the existing market conditions, various submissions and representations of the Parties to the Commission, application of the Philippine Competition Act (PCA), its Implementing Rules and Regulations, and related issuances, and the findings and recommendation of the Mergers and Acquisitions Office (MAO), the Commission finds that the Transaction will not likely result in substantial prevention, restriction, or lessening of competition in the relevant market for the reasons discussed below.

The Parties and the Transaction

Teleperformance is a French company engaged in outsourced digital integrated services with global operations.[2] Teleperformance operates in the Philippines through Telephilippines, Inc. (Telephilippines) and PSG Global Solutions, Inc. (PSG Global).[3] Telephilippines is engaged in outsourced customer relationship management, including market research and sales via phone, and other customer-facing services.[4] PSG Global,

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1 The Philippine Competition Commission (PCC) conducts review of mergers and acquisitions, including joint ventures, pursuant to Sections 16 and 17 of Republic Act No. 10667, otherwise known as the Philippine Competition Act (PCA), and Section 1, Rule 4 of the Implementing Rules and Regulations of the PCA.

2 Teleperformance Notification Form.

3 *Id.* For completeness, the Mergers and Acquisition Offices (MAO) notes that the other Philippine entity within the Notifying Group, TLSContact Philippines Corporation, is non-operational, thus, it does not generate revenues and does not hold any assets.

4 Audited Financial Statements (2022), Telephilippines Incorporated, *Id.*

on the other hand, is engaged in the business of data encoding and business process outsourcing (BPO) particularly catering to human resources departments and staffing companies.[5] Teleperformance is its own Ultimate Parent Entity (UPE).

Majorel is a Luxembourg-registered company. It specializes in customer interaction and BPO services covering customer service, sales and marketing, loyalty and retention, and technical support.[6] It also provides industry-specific BPO services, such as claims management for the insurance sector, electromobility services for the automotive sector, and specialized back-office services for utilities and banking sectors.[7] Majorel is directly and jointly controlled by two (2) entities: (i) Bertelsmann Luxembourg S.a.r.l (Bertelsmann), and (ii) Saham Customer Relationship Investments Limited and Saham Outsourcing Luxembourg S.a.r.l. (collectively, "Saham"), each having 39.49% ownership over Majorel.[8] It has three (3) UPEs, namely: (i) Bertelsmann Verwaltungsgersellschaft mbH, (ii) Saham Outsourcing Services Fund SA, and (iii) E Holding SCP. In the Philippines, Majorel operates through its wholly owned subsidiary, Majorel Philippines.[9]

Majorel Philippines was incorporated to operate as a customer service center for clients in the Northern American and European market. It offers a variety of BPO services, including management operations and solutions, customer relations, development and production of software systems, data warehousing, and data mining.

On 26 April 2023, Teleperformance, Bertelsmann and Saham entered into a Tender Offer Agreement (Agreement) whereby Teleperformance intended to make a full voluntary public offer for all issued and outstanding shares of Majorel.[10] Based on the Agreement, Bertelsmann and Saham committed to irrevocably tender their shares in Majorel to Teleperformance.

Post-Transaction, Teleperformance will hold at least 79% of Majorel's outstanding voting shares. It intends to acquire all the shares in Majorel by initiating squeeze-out proceedings or other measures, with a view to delisting the latter from the Euronext Amsterdam stock exchange. Through the proposed Transaction, Teleperformance aims to complement its geographic focus, expand its client portfolio and expertise across industries, and enhance its digital transformation capabilities and services.[11]

5 Audited Financial Statements (2022), Telephilippines Incorporated.
6 Bertelsmann Verwaltungsgersellschaft mbH Notification Form.
7 *Id.*
8 Annual Report (2022), Majorel Group Luxembourg S.A.
9 *Id.*
10 Tender Offer Agreement dated 26 April 2023.
11 Bertelsmann Verwaltungsgersellschaft mbH Notification Form, Schedule 3.

The Relevant Market

In the review of a merger or acquisition, the Commission examines all the relevant markets[12] that may be potentially affected by the Transaction to determine whether significant harm to competition is likely to occur in any of them.[13]

In determining the relevant market, the Commission looked into the lines of operations and businesses of the Parties. There are no identified vertical relationships between the Parties, but a horizontal overlap exists. Teleperformance and Majorel compete in the provision of BPO services both in the global and domestic markets. In the global market, the Parties supply a range of BPO services that involve customer-facing activities, including customer support services, collection services, and sales management. In the Philippines, the Parties provide offshore BPO services through their domestic subsidiaries.

For the relevant product market, the Commission considered whether a narrower market of either front- or back-office support services exists, and whether there are substitutes for BPO services.

BPO services are divided into front-office and back-office services. Front-office services typically involve customer-facing activities external to the business of a BPO client, such as consumer direct services, customer care, sales and marketing, and technical product support.[14] In contrast, back-office services involve non-customer facing activities such as administrative, legal and support duties.[15]

Employees who take on back-office responsibilities often perform administrative, legal and support duties that keep the workplace running.[16] These duties can include creating employment contracts; bookkeeping; accounting; payroll processing; ensuring compliance with local, state, and federal taxes; ensuring compliance with labor and safety

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12 Philippine Competition Act, Section 4(k). *Definition of Terms.* – Relevant market refers to the market in which a particular good or service is sold and which is a combination of the relevant product market and the relevant geographic market, defined as follows:
(1) A relevant product market comprises all those goods and/or services which are regarded as interchangeable or substitutable by the consumer or the customer, by reason of the goods and/or services' characteristics, their prices, and their intended use; and
(2) The relevant geographic market comprises the area in which the entity concerned is involved in the supply and demand of goods and services, in which the conditions of competition are sufficiently homogenous and which can be distinguished from neighboring areas because the conditions of competition are different in those areas.

13 Section 2.5, PCC Merger Review Guidelines.

14 MarketLine Industry Profile: Global BPO Services, September 2023.

15 Sampson Quain, "Front Office Skills Vs. Back Office Skills", Houston Chronicle *available at:* https://smallbusiness.chron.com/front-office-skills-vs-back-office-skills-32629.html (last accessed on 17 October 2023), *and* Cambridge Dictionary, "back office," *available at:* https://dictionary.cambridge.org/dictionary/english/back-office (last accessed on 17 October 2023).

16 *Id.*

laws; handling workers' compensation; performing background checks; handling accounts payable and receivable; and processing benefits claims.[17]

The latest developments in the industry allow BPO companies to provide end-to-end BPO services that serve their client's customer-facing and back-office support needs at the same time (integrated BPO services).[18] Thus, it is common for a BPO firm to supply both of the two (2) BPO service segments at the same time. While front and back-office services refer to distinct functions within BPO services, corporate clients perceive integrated BPO services as substitutable with the traditional conception of BPO services which separate the provisions of front-office and back-office support. BPO clients nowadays often prefer integrated services for operational efficiencies.[19] Based on the foregoing, it is unnecessary to carve out a narrower market definition for either front-office or back-office services in this case.

The Commission also assessed whether a market broader than BPO services actually exists for purposes of this review. Market investigation reveals that BPO services are not substitutable with other related services despite similarities in business activities and functions. Other related services may include shared services. Shared service is a delivery model wherein a business activity is performed in different locations of a business by and within the same business entity. BPO services are distinct from shared services. In BPO services, the delivery of the business activity is undertaken by an external party for a corporate client.

The geographic market adopted in this case is global because the Parties do not face significant costs and barriers in delivering BPO services to customers in different countries.[20]

It is an established industry practice that customers worldwide diversify their BPO services across different countries to benefit from global labor arbitrage[21] and effectively meet various legal and client-specific requirements. The operations for domestic and offshore BPO services are similar – there are no material differences in the labor and capital requirements. Lastly, the absence of significant regulatory barriers enables BPO companies to offer services, domestically and internationally, with relative ease.[22]

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17 *Id.* at 15.

18 Through a multi-tiered approach, BPOs are able to provide flexible and customizable BPO services in order to offer and perform solutions to unique and case-specific operational needs.

19 MAO's Interview with Notifying Parties.

20 Notifying Parties submissions to the MAO; MAO's Interview with Notifying Parties.

21 Labor arbitrage refers to an economic phenomenon where, as a result of the removal of or disintegration of barriers to international trade, jobs move to nations where labor and the cost of doing business are inexpensive or impoverished labor moves to nations with higher paying jobs; International Trade Center, Business Process Outsourcing: Key Lessons for Developing Countries, *available at:* https://www.ceintelligence.com/files/documents/ITC_BPO-study.pdf (last accessed on 17 October 2023).

22 Notifying Parties submissions to the MAO.

In sum, the relevant market in this case is the global market for BPO services.

Competition Assessment

Post-Transaction, the Parties' BPO operations will be consolidated. In this context, the Commission made an evaluation on whether such consolidation would result in adverse effects on competition by eliminating a competitor that was previously a source of competitive constraints, thereby, enhancing the Parties' ability and incentive to exercise market power.

No loss of competition

In the global market for BPO services, it appears that the Parties hold negligible pre-merger market shares, and that the Transaction will only slightly increase Teleperformance's market share from [redacted] to [redacted], as follows:

Table 1. Global BPO companies and their pre- and post-Transaction market shares based on global revenues (2022).[23]

BPO company	Global revenue (in PHP)	Pre-transaction Market shares	Post-transaction Market shares
Accenture	[redacted]	[redacted]	[redacted]
IBM	[redacted]	[redacted]	[redacted]
Capgemini SE	[redacted]	[redacted]	[redacted]
Cognizant	[redacted]	[redacted]	[redacted]
Infosys	[redacted]	[redacted]	[redacted]
ISS AS	[redacted]	[redacted]	[redacted]
Wipro	[redacted]	[redacted]	[redacted]
Teleperformance	[redacted]	[redacted]	[redacted]
Concentrix	[redacted]	[redacted]	[redacted]
HCL Technologies	[redacted]	[redacted]	[redacted]
Genpact	[redacted]	[redacted]	[redacted]
Majorel	[redacted]	[redacted]	[redacted]
Others	[redacted]	[redacted]	[redacted]
Total	[redacted]	100%	100%

The unconcentrated market structure of BPO services shows that the Parties are constrained by the intense competition from global market players which have sufficient operational capacities, an adequate number of employees, strong partnership

23 Data sourced from various company estimates available on their websites.

ecosystems, and wide service networks that compete for multinational clients in different industries.

The presence of several large and aggressive competitors in the global market, coupled with their combined negligible post-Transaction share, would continue to impose significant competitive constraints on the Parties, further limiting the latter's ability and incentive to unilaterally increase prices or decrease the quality of BPO services.

Moreover, providers of BPO services offer undifferentiated services and have driven strong price competition and innovations among BPO providers in general.

The Commission also assessed the impact of the Transaction on the Philippine market of BPO services. Based on recent available industry data, Teleperformance's workforce will only be [redacted] of the total number of BPO employees nationwide, post-Transaction.[24] It is considered insignificant relative to the remaining players and BPO rivals in the Philippine market[25] as shown below:

Table 2. BPO companies and pre- and post-Transaction number of employees (2022).[26]

BPO company	Number of employees Pre-transaction	Number of employees Post-transaction
Accenture	[redacted]	[redacted]
Concentrix	[redacted]	[redacted]
Teleperformance	[redacted]	[redacted]
Capgemini SE	[redacted]	[redacted]
ISS AS	[redacted]	[redacted]
Cognizant	[redacted]	[redacted]
Infosys	[redacted]	[redacted]
IBM	[redacted]	[redacted]
Wipro	[redacted]	[redacted]
HCL Technologies	[redacted]	[redacted]
Genpact	[redacted]	[redacted]
Majorel	[redacted]	-

The Parties will continue to face competition from existing and potential entrants in view of the industry's low barriers to entry and expansion.

24 The BPO industry may be viewed as a labor market where companies also compete for highly skilled workers. Thus, the number of employees as a metric to estimate market shares may be used as a proxy in the absence of revenue or volume-based data.

25 Data from PEZA also shows that among those registered BPO providers, there are many BPOs that operate in the Philippines with large operational capacities and are global producers of customer experience products and back-office BPO solution services.

26 Data sourced from various company estimates available on their websites.

According to the Philippine Economic Zone Authority's (PEZA) estimates, there are roughly 1,273 IT-BPO companies registered in the Philippines.[27] Teleperformance's domestic operations through its subsidiaries, Telephilippines and PSG Global, will continue to face competition from other large and strong BPO players in the Philippines. It also appears that existing competitors already possess the necessary infrastructure to expand their BPO services without significant costs.

The Commission also recognizes that domestic conditions are favorable for the entry of potential competitors into the Philippine market. Potential competitors can easily enter the market due to the lack of complicated infrastructure costs, minimum capital requirements, and high regulatory costs.[28] In addition, the BPO industry in the Philippines is projected to further expand in view of the Philippines' highly skilled labor force and government incentives, all of which facilitate entry into the domestic market.[29]

Post-Transaction, the Commission considers it likely that existing competitors and new entrants will expand or enter the domestic market within a reasonable period of time after the Transaction, which would be sufficient to constrain possible unilateral effects.

Notwithstanding the consolidation of the Parties' BPO operations, customers would still have various choices for service providers, given the undifferentiated services offered by these BPO providers.

After careful review of the existing market conditions, various submissions and representations of the Parties, application of the PCA, its Implementing Rules and Regulations, related issuances, and relevant regulatory framework, the Commission finds that the Transaction is not likely to result in substantial prevention, restriction, or lessening of competition.

ACCORDINGLY, the Commission resolves to **CLEAR** the proposed acquisition by Teleperformance SE of all issued and outstanding share capital of Majorel Group Luxembourg S.A.

This Decision is rendered solely based on the facts disclosed, the circumstances of the Transaction known to the Commission during the review period, and documents submitted by Teleperformance and Majorel Group.

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27 Philippine Economic Zone Authority, "PEZA recommends to FIRB temporary measure for registered IT-BPO Companies", *available at:* https://www.peza.gov.ph/press-releases/peza-recommends-firb-temporary-measure-registered-it-bpo-companies (last accessed on 03 October 2023).

28 MAO's Interview with Stakeholders.

29 *Id.*

SO ORDERED.

18 October 2023.

(On official business)
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Chairperson

[redacted]

MARAH VICTORIA S. QUEROL
Commissioner

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