



FTC Challenges CDK Global, Inc.'s Proposed Acquisition of Competitor Auto/Mate, Inc.

Acquisition would harm competition in dealer management system software for new car dealers

FOR RELEASE

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The Federal Trade Commission has issued an administrative complaint, a public version of which will be linked to this news release shortly, charging that a proposed merger between two specialized software vendors violates federal antitrust laws.

According to the complaint, CDK Global, Inc.'s proposed acquisition of Auto/Mate would reduce competition in an already concentrated market, eliminating the substantial current competition between CDK and Auto/Mate, and between Auto/Mate and other market participants. The complaint also alleges that Auto/Mate was poised to become an even stronger competitive threat in the future, so that existing, current competition between the parties understates the most likely anticompetitive effects of this transaction.

The Commission also authorized FTC staff to seek a temporary restraining order and a preliminary injunction in federal court to prevent the parties from consummating the merger, and to maintain the status quo pending the administrative proceeding. CDK and Auto/Mate subsequently notified the FTC that they have abandoned the proposed transaction.

By acquiring Auto/Mate, CDK would have expanded its lead as the largest provider of so-called Dealer Management System, or "DMS", software in the United States. New car dealers use DMS software to manage nearly every aspect of their business, including accounting, payroll, parts and vehicle inventory, service repair scheduling, and vehicle financing, according to the complaint. Because franchise DMS software also manages the flow of information between dealers and the vehicle manufacturers whose cars they sell, franchise DMS providers must obtain certifications from those vehicle manufacturers. Currently, CDK and Reynolds & Reynolds are the two largest providers of DMS software to new vehicle dealers in the United States. According to the complaint, although smaller than CDK and Reynolds & Reynolds, Auto/Mate has been winning business by offering dealers lower prices, flexible contract terms, free software upgrades and training, high quality customer service, and modest fees to integrate third-party applications.

"Today's announcement from CDK and Auto/Mate that they have decided to abandon their proposed merger is good news for new car dealers across the United States," said Bruce Hoffman, Acting Director of the Bureau of Competition. "Dealerships will continue to benefit from the disruptive and innovative efforts of Auto/Mate, resulting in improvements to DMS offerings across the industry. Despite Auto/Mate's relatively small market share, it was winning a significant share of opportunities from CDK—a larger share than Auto/Mate's overall market share might have suggested, showing that Auto/Mate was a strong competitor to CDK. Moreover, the evidence indicated that Auto/Mate was also a threat to other incumbent DMS providers, and, importantly, was

poised to become an even more effective competitor in the near future. The Commission’s action shows that it will block a proposed merger if a large, established firm seeks to eliminate competition from a small but significant and developing competitor that is delivering substantial competitive benefits in innovation, price, and quality.”

The Commission votes to issue the administrative complaint, and to authorize filing a federal court complaint seeking a temporary restraining order and a preliminary injunction, were both 2-0.

NOTE: The Commission files a complaint when it has “reason to believe” that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest. A complaint constitutes an allegation, but does not constitute a determination that the law has been violated as alleged.

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