DemandTec, Inc.
Form DEFM14A
January 12, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

DEMANDTEC, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common stock, par value $0.001 per share, of DemandTec, Inc.

(2) Aggregate number of securities to which transaction applies:
33,751,758 shares of DemandTec common stock, 5,760,376 shares of DemandTec common stock underlying outstanding stock options and 1,998,272 shares of DemandTec common stock subject to settlement of restricted stock units, each outstanding as of December 15, 2011.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee was determined based on the sum of (a) 33,751,758 shares of DemandTec common stock multiplied by $13.20 per share; (b) 5,760,376 shares of DemandTec common stock underlying outstanding stock options with exercise prices less than $13.20 per share multiplied by $6.51 (which is the difference between $13.20 per share and the weighted average exercise price per share); and (c) 1,998,272 shares of DemandTec common stock subject to settlement of restricted stock units multiplied by $13.20 per share. The filing fee was determined by multiplying 0.00011460 by the sum of the preceding sentence.

(4) Proposed maximum aggregate value of transaction:

$509,411,964.51

(5) Total fee paid:

$58,378.61

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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DEMANDTEC, INC.

One Franklin Parkway, Building 910
San Mateo, CA 94403

January 12, 2012

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of DemandTec, Inc. ("DemandTec") to be held on February 14, 2012, at 11:00 a.m., local time, at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 1200 Seaport Boulevard, Redwood City, California 94063.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of December 7, 2011, by and among International Business Machines Corporation ("IBM"), Cudgee Acquisition Corp., a wholly-owned subsidiary of IBM, and DemandTec, as such agreement may be amended from time to time. Pursuant to the merger agreement, Cudgee Acquisition Corp. will merge with and into DemandTec and as a result, under Delaware law, DemandTec will become a wholly-owned subsidiary of IBM. We are also asking that you grant the authority to vote your shares in favor of adopting the merger, to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and to approve, on an advisory (non-binding) basis, certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

If the merger is completed, DemandTec stockholders will be entitled to receive $13.20 in cash, without interest and less any applicable withholding taxes, for each share of DemandTec common stock owned by them as of the date of the merger (unless they have properly and validly perfected their statutory rights of appraisal with respect to the merger).

Our board of directors unanimously determined that the terms and conditions of the merger and the merger agreement are fair to and advisable and in the best interests of DemandTec and our stockholders. **Accordingly, our board of directors has unanimously approved the merger agreement, the merger and the other transactions contemplated thereby, and unanimously recommends that you vote "FOR" the adoption of the merger agreement, "FOR" approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and "FOR" the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.**

Our board of directors considered a number of factors in evaluating the transaction and consulted with our legal and financial advisors. The enclosed proxy statement provides detailed information about the merger agreement and the merger. We encourage you to read this proxy statement carefully in its entirety.

Your vote is very important, regardless of the number of shares you own. The proposal to adopt the merger agreement must be approved by the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Therefore, if you do not return your proxy card in the mail, submit a proxy via the Internet or telephone or attend the special meeting and vote in person, then your decision not to respond will have the same effect as if you voted "AGAINST" adoption of the merger agreement. Failure to vote and abstentions will have no effect on the

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adjournment proposal or the proposal regarding "golden parachute" compensation. Only stockholders who owned shares of DemandTec common stock at the close of business on January 9, 2012, the record date for the special meeting, will be entitled to vote at the special meeting. To vote your shares, you may return your proxy card, submit a proxy via the Internet or telephone or attend the special meeting and vote in person. Even if you plan to attend the meeting, **we urge you to promptly submit a proxy for your shares via the Internet or telephone or by completing, signing, dating and returning the enclosed proxy card.**

If you sign, date and return your proxy card or submit a proxy via the Internet or telephone without indicating how you wish to vote, your proxy will be voted "FOR" the adoption of the merger agreement, "FOR" the adjournment of the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and "FOR" the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable. If you fail to submit a proxy, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting. If you attend the special meeting and wish to vote in person, you may revoke your proxy and vote in person.

Thank you for your continued support of DemandTec.

Sincerely,

DANIEL R. FISHBACK
President and Chief Executive Officer

This proxy statement is dated January 12, 2012 and is first being mailed to stockholders of DemandTec on or about January 12, 2012.

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DEMANDTEC, INC.

One Franklin Parkway, Building 910
San Mateo, CA 94403

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS AND PROXY STATEMENT

To the Stockholders of DemandTec, Inc.:

DemandTec, Inc., a Delaware corporation ("DemandTec"), will hold a special meeting of stockholders at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 1200 Seaport Boulevard, Redwood City, California 94063, at 11:00 a.m., local time, on February 14, 2012, for the following purposes:

1. To consider and vote upon the adoption of the Agreement and Plan of Merger, dated as of December 7, 2011, by and among International Business Machines Corporation, a New York corporation ("IBM"), Cudgee Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of IBM, and DemandTec, as such agreement may be amended from time to time;

2. To consider and vote upon the adjournment of the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting; and

3. To consider and vote on a proposal to approve, on an advisory (non-binding) basis, certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

Only record holders of DemandTec common stock at the close of business on January 9, 2012 are entitled to receive notice of, and will be entitled to vote at, the special meeting, including any adjournments or postponements of the special meeting. Your vote is important, regardless of the number of shares of DemandTec's common stock you own. The affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting is required to adopt the merger agreement, and the affirmative vote of the holders of a majority in voting power of the shares of our common stock present or represented by proxy at the special meeting and casting a vote for or against such matters is required to approve both the proposal to adjourn the special meeting and the proposal to approve certain "golden parachute" compensation, provided that a quorum is present. In the event that a quorum is not present in person or represented by proxy at the special meeting, it is expected that the special meeting will be adjourned by the chairman of the meeting to solicit additional proxies.

Under Delaware law, if the merger is completed, holders of DemandTec common stock who do not vote in favor of adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery. In order to exercise your appraisal rights, you must (i) submit a written demand for an appraisal of your shares prior to the stockholder vote on the merger agreement, (ii) not vote in favor of adoption of the merger agreement and (iii) comply with other Delaware law procedures explained in the accompanying proxy statement. See "The Merger Appraisal Rights" beginning on page 50 of the proxy statement and Annex C to the proxy statement.

You are cordially invited to attend the special meeting in person. Whether or not you expect to attend the special meeting, please complete, date, sign and return the enclosed proxy, or vote over the telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the special meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still

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vote in person if you attend the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy issued in your name from that record holder.

If you sign, date and return your proxy card or submit a proxy via the Internet or telephone without indicating how you wish to vote, your proxy will be voted "FOR" the adoption of the merger agreement, "FOR" the adjournment of the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and "FOR" the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable. If you fail to return your proxy card and do not submit your proxy via the Internet or by telephone, your shares will effectively be counted as a vote against adoption of the merger agreement, will not be counted for purposes of determining whether a quorum is present at the special meeting and will have no effect on either (i) the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to permit solicitations of additional proxies or (ii) approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable, if a quorum is present. If you do attend the special meeting and wish to vote in person, you may revoke your proxy and vote in person. You may revoke your proxy in the manner described in the enclosed proxy statement at any time before it has been voted at the special meeting.

Our board of directors unanimously recommends that you vote "FOR" adoption of the merger agreement, "FOR" adjournment of the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and "FOR" the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

The merger is described in the accompanying proxy statement, which we urge you to read carefully. A copy of the merger agreement is attached as Annex A to the proxy statement.

By Order of the Board of Directors,

MICHAEL J. MCADAM
General Counsel and Corporate Secretary

San Mateo, California
January 12, 2012

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YOUR VOTE IS IMPORTANT.

Whether or not you expect to attend the special meeting, please complete, date, sign and return the enclosed proxy card, or vote over the telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the special meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy issued in your name from that record holder.

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DEMANDTEC, INC.

SPECIAL MEETING OF STOCKHOLDERS

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following Q&A is intended to address some commonly asked questions regarding the special meeting of stockholders and the merger. These questions and answers may not address all questions that may be important to you as a DemandTec stockholder. We urge you to read carefully the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement.

Except as otherwise specifically noted in this proxy statement, "we," "our," "us" and similar words in this proxy statement refer to DemandTec, Inc. In addition, throughout this proxy statement, we refer to DemandTec, Inc., as "DemandTec," to Cudgee Acquisition Corp. as "merger sub" and to International Business Machines Corporation as "IBM."

The Special Meeting

Q: Why am I receiving this proxy statement?

A:

Our board of directors is furnishing this proxy statement in connection with the solicitation of proxies to be voted at a special meeting of our stockholders, or at any adjournments or postponements of the special meeting, at which our stockholders will be asked to vote to adopt the merger agreement that we describe herein.

Q: Where and when is the special meeting of stockholders?

A:

The special meeting of our stockholders will be held on February 14, 2012 at 11:00 a.m., local time, at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 1200 Seaport Boulevard, Redwood City, California 94063.

Q: What am I being asked to vote on?

A:

You are being asked to grant to the proxies identified in the enclosed proxy card authority to vote to adopt a merger agreement that provides for the acquisition of DemandTec by IBM. The proposed acquisition would be accomplished through a merger of Cudgee Acquisition Corp., a wholly-owned subsidiary of IBM, which we refer to as merger sub, with and into DemandTec. As a result of the merger, we will become a wholly-owned subsidiary of IBM, and our common stock will cease to be listed on The NASDAQ Global Market, will not be publicly traded and will be deregistered under the Securities Exchange Act of 1934, as amended, which we refer to in this proxy statement as the Securities Exchange Act.

In addition, you are being asked to grant to the proxies identified in the enclosed proxy card discretionary authority to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement. If we do not receive proxies from stockholders holding a sufficient number of shares to adopt the merger agreement, we could use the additional time to solicit additional proxies in favor of adoption of the merger agreement.

Additionally, you are being asked to approve, on an advisory (non-binding) basis, certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

Q: How does DemandTec's board recommend that I vote?

A:

At a meeting held on December 6, 2011, our board of directors unanimously approved the merger agreement and determined that the merger agreement and the terms and conditions of the merger

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and the merger agreement are fair to and advisable and in the best interests of DemandTec and its stockholders. Our board of directors unanimously recommends that you vote "FOR" the adoption of the merger agreement, "FOR" the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and "FOR" the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

The Proposed Merger

Q: What will I be entitled to receive pursuant to the merger?

A:

As a result of the merger, our stockholders will be entitled to receive $13.20 in cash, without interest and less any applicable withholding taxes, for each share of our common stock they own as of the date of the completion of the merger. For example, if you own 100 shares of our common stock, you will be entitled to receive $1,320 in cash, without interest, less any applicable withholding taxes, in exchange for your 100 shares upon the completion of the merger. You will not own shares in the surviving corporation.

Q: What regulatory approvals and filings are needed to complete the merger?

A:

The merger is subject to compliance with the applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, and clearance under the antitrust laws of various foreign jurisdictions. See "The Merger Regulatory Matters" beginning on page 58.

Q: When do you expect the merger to be completed?

A:

We are working toward completing the merger as quickly as possible and currently expect to consummate the merger in the first quarter of calendar year 2012. In addition to obtaining stockholder approval, we must satisfy all other closing conditions, including the receipt of regulatory approvals.

Q: What rights do I have if I oppose the merger?

A:

Stockholders of record as of the record date are entitled to appraisal rights under Delaware law by following the procedures and satisfying the requirements specified in Section 262 of the General Corporation Law of the State of Delaware. A copy of Section 262 is attached as Annex C to this proxy statement. See "The Merger Appraisal Rights" beginning on page 50.

Q: What will happen to outstanding DemandTec equity compensation awards in the merger?

A:

At the effective time of the merger:

each unexercised and outstanding option to acquire shares of our common stock to the extent (i) vested (or vesting in connection with the merger), (ii) held by any of our or our subsidiaries' non-employee directors, consultants or independent contractors (other than certain unvested options described in the following bullet) or (iii) such option has an exercise price per share greater than or equal to the merger consideration of $13.20 per share will be cancelled and will be converted into the right of the holder thereof to receive an amount in cash as described below in " Treatment of Outstanding Stock Options" beginning on page 53;

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each outstanding option to acquire our common stock that is unvested, held by certain of our or our subsidiaries' consultants or independent contractors and that has an exercise price per share less than the per share merger consideration of $13.20 will be cancelled. IBM will pay each holder of such an option an amount in cash determined as described below in " Treatment of Outstanding Stock Options" beginning on page 53;

each outstanding option to acquire shares of our common stock not being cancelled in one of the manners described above will be converted into an option, subject to substantially the same terms and conditions as were applicable to the option prior to the effective time of the merger, to acquire the number of shares of IBM's common stock with an exercise price per share, each determined as described below in " Treatment of Outstanding Stock Options" beginning on page 53;

each outstanding and unsettled restricted stock unit, which we refer to as a RSU, to the extent (i) vested (or vesting in connection with the merger) or (ii) held by any of our or our subsidiaries' non-employee directors, consultants or independent contractors (other than certain unvested RSUs described in the following bullet) will be cancelled and will be converted into the right of the holder thereof to receive an amount in cash as described below in " Treatment of Outstanding Restricted Stock Units" beginning on page 54;

each outstanding RSU that is unvested and held by certain of our or our subsidiaries' consultants or independent contractors will be cancelled. IBM will pay each holder of such an RSU an amount in cash as described below in " Treatment of Outstanding Restricted Stock Units" beginning on page 54;

each outstanding RSU not cancelled in one of the manners described above will be converted at the effective time of the merger into an RSU, subject to substantially the same terms and conditions as were applicable to the RSU prior to the effective time of the merger, with respect to a number of shares of IBM's common stock determined as described below in " Treatment of Outstanding Restricted Stock Units" beginning on page 54. If an RSU is subject to performance-based vesting conditions for which the performance period is scheduled to end following the effective time of the merger, the number of shares underlying the converted IBM RSU will be determined based on the assumption that the performance conditions applicable to such RSU were met at 100% of target performance, and each such RSU will vest, following the effective time of the merger, solely on the basis of the service-based vesting conditions applicable to such RSU; and

if the effective time of the merger is on or prior to April 13, 2012 (the last trading day of the current offering period under our 2007 Employee Stock Purchase Plan, which we refer to as the ESPP), the ESPP and the offering period in progress will terminate on the last trading day prior to the effective time of the merger after the exercise of outstanding purchase rights as described below in " Treatment of Purchase Rights under 2007 Employee Stock Purchase Plan" beginning on page 55. If the effective time of the merger is after April 13, 2012, all purchase rights under the ESPP will be exercised in accordance with the ESPP on April 13, 2012 and the ESPP will be suspended for future offering periods as of such date.

Q: Will the merger be taxable to me?

A:

The receipt of cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. Generally, for U.S. federal income tax purposes, a U.S. stockholder will recognize gain or loss equal to the difference between the amount of cash received by the stockholder in the merger and the stockholder's adjusted tax basis in the shares of our common stock converted into cash in the merger. If you are a non-U.S. holder, the merger will generally

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not be a taxable transaction to you under U.S. federal income tax laws unless you have certain connections to the United States, but may be a taxable transaction to you under non-U.S. federal income tax laws, and you are encouraged to seek tax advice regarding such matters. Because individual circumstances may differ, we recommend that you consult your own tax advisor to determine the particular tax effects to you. See "The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page 55.

Voting and Proxy Procedures

Q: Who is entitled to vote at the special meeting?

A:

Only stockholders of record as of the close of business on January 9, 2012 are entitled to receive notice of the special meeting and to vote the shares of our common stock that they held at that time at the special meeting or at any adjournments or postponements of the special meeting.

Q: What vote is required to adopt the merger agreement?

A:

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting.

As of January 9, 2012, the record date for determining who is entitled to vote at the special meeting, there were 33,855,843 shares of our common stock issued and outstanding.

Q: What vote is required to adjourn the special meeting to a later date, if necessary or appropriate, in order to solicit additional proxies from our stockholders in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting?

A:

Approval of the proposal to adjourn the special meeting to a later date, if necessary or appropriate, in order to solicit additional proxies from our stockholders in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting requires the affirmative vote of the holders of a majority in voting power of the shares of our common stock present or represented by proxy at the special meeting and casting a vote for or against such matter, provided that a quorum is present. In the event that a quorum is not present in person or represented by proxy at the special meeting, it is expected that the special meeting will be adjourned by the chairman of the meeting to solicit additional proxies.

Our by-laws provide that a quorum is present at the special meeting if the holders of a majority in voting power of the shares of our common stock issued and outstanding and entitled to vote at the meeting are present in person or represented by proxy.

Q: What vote is required to approve the non-binding proposal regarding the "golden parachute" compensation that the named executive officers of DemandTec will or may receive in connection with the merger?

A:

Approval of the non-binding proposal regarding the "golden parachute" compensation that the named executive officers of the Company will or may receive in connection with the merger requires the affirmative vote of the holders of a majority in voting power of the shares of our common stock present or represented by proxy at the special meeting and casting a vote for or against such matter, provided that a quorum is present. In the event that a quorum is not present in person or represented by proxy at the special meeting, it is expected that the special meeting will be adjourned by the chairman of the meeting to solicit additional proxies.

Our by-laws provide that a quorum is present at the special meeting if the holders of a majority in voting power of the shares of our common stock issued and outstanding and entitled to vote at the meeting are present in person or represented by proxy.

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Q: Why am I being asked to cast a non-binding, advisory vote to approve the "golden parachute" compensation that the named executive officers of DemandTec will or may receive in connection with the merger?

A:

Section 14A of the Securities Exchange Act requires us to conduct an advisory (non-binding) vote with respect to certain "golden parachute" compensation that may be paid or become payable made to DemandTec's named executive officers in connection with the merger, and the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

Q: What will happen if our stockholders do not approve the "golden parachute" compensation at the special meeting?

A:

Approval of the "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger is a vote separate and apart from the vote to adopt the merger agreement and is not a condition to completion of the merger. The vote with respect to the "golden parachute" compensation is an advisory vote and will not be binding on DemandTec or IBM. Therefore, if the merger is approved by our stockholders and completed, the "golden parachute" compensation will be paid to the named executive officers if and when due, regardless of the outcome of the advisory vote on "golden parachute" compensation.

Q: If my broker holds my shares in "street name," will my broker vote my shares for me?

A:

No. Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares following the procedure provided by your broker. Without instructions, your shares will not be voted, which will have the same effect as if you voted "AGAINST" the adoption of the merger agreement but will have no effect on either (i) the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to permit solicitations of additional proxies or (ii) approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

Q: What do I need to do now?

A:

We urge you to read this proxy statement carefully and consider how the merger affects you. Then mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible, or submit a proxy via the Internet or telephone, so that your shares can be voted at the special meeting of our stockholders. If you hold your shares of our common stock in "street name," follow the instructions you receive from your broker or bank. **Please do not send your stock certificates with your proxy card.**

Q: May I vote in person?

A:

Yes. If your shares are registered in your name, you may attend the special meeting and vote your shares in person, rather than signing and returning your proxy card or submitting a proxy via the Internet or telephone. If your shares are held in "street name," you must obtain a proxy from your broker or other nominee in order to attend the special meeting and vote in person. Even if you plan to attend the special meeting in person, we urge you to complete, sign, date and return the enclosed proxy card or submit a proxy via the Internet or telephone to ensure that your shares will be represented at the special meeting.

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Q: How do I vote my shares of common stock? May I submit a proxy via the Internet or telephone?

A:

If your shares are registered in your name, you may cause your shares to be voted by returning a signed proxy card or vote in person at the special meeting. Additionally, you may submit a proxy authorizing the voting of your shares via the Internet at www.eproxy.com/dman or telephonically by calling 1-800-560-1965. You must have the enclosed proxy card available and follow the instructions on the proxy card in order to submit a proxy via the Internet or telephone.

If your shares are held in "street name" through a broker or other nominee, you may provide voting instructions by completing and returning the voting form provided by your broker or nominee, or via the Internet or telephone through your broker or nominee, if such a service is provided. To provide voting instructions via the Internet or telephone through your broker or nominee, you should follow the instructions on the voting form provided by your broker or nominee.

Q: What happens if I do not return my proxy card, submit a proxy via the Internet or telephone or attend the special meeting and vote in person?

A:

The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Therefore, if you do not return your proxy card, submit a proxy via the Internet or telephone, or attend the special meeting and vote in person, it will have the same effect as if you voted "AGAINST" the adoption of the merger agreement. In the event that a quorum is not present in person or represented by proxy at the special meeting, it is expected that the special meeting will be adjourned by the chairman of the meeting to solicit additional proxies. If a quorum is present in person or represented by proxy at the special meeting, approval of (i) the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and (ii) the proposal regarding "golden parachute" compensation require the affirmative vote of the holders of a majority in voting power of the shares of our common stock present or represented by proxy at the special meeting and casting a vote for or against such matters and, therefore, if you do not vote in person or by proxy, it will have no effect on the outcome of such proposals.

Q: May I change my vote after I have mailed my signed proxy card or delivered a proxy via the Internet or telephone?

A:

Yes. You may change your vote at any time before your proxy card is voted at the special meeting. *If you have sent a proxy directly to DemandTec*, you may revoke your proxy by:

delivering a written revocation of the proxy or a later dated, signed proxy card, to our Corporate Secretary at our corporate offices at DemandTec, Inc., One Franklin Parkway, Building 910, San Mateo, California 94403, on or before the business day prior to the special meeting;

delivering a new, later dated proxy by telephone or via the Internet on or before the business day prior to the special meeting;

delivering a written revocation or a later dated, signed proxy card to us at the special meeting prior to the taking of the vote on the matters to be considered at the special meeting; or

attending the special meeting and voting in person.

If you have instructed a broker or other nominee to vote your shares, you may revoke your proxy only by following the directions received from your broker or nominee to change those instructions.

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Revocation of a proxy will not affect any vote taken prior to revocation. Attendance at the special meeting will not in itself constitute the revocation of a proxy; you must vote in person at the special meeting to revoke a previously delivered proxy.

Q: What should I do if I receive more than one set of voting materials?

A:

You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return (or submit via the Internet or telephone with respect to) each proxy card and voting instruction card that you receive.

Q: What happens if I sell or otherwise transfer my shares of DemandTec common stock before the special meeting?

A:

The record date for the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your shares of our common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting but will transfer the right to receive the merger consideration and lose the right to seek appraisal. Even if you sell or otherwise transfer your shares of our common stock after the record date, we urge you to complete, sign, date and return the enclosed proxy or submit your proxy via the Internet or telephone.

Q: Should I send in my stock certificates now?

A:

No. After the merger is completed, you will receive written instructions for exchanging your shares of our common stock for the merger consideration of $13.20 in cash, without interest and less any applicable withholding taxes, for each share of our common stock you hold.

Q: Who can help answer my questions?

A:

If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares, you should contact:

DemandTec, Inc.
Attn: Investor Relations
One Franklin Parkway, Building 910
San Mateo, CA 94403
Telephone: (650) 645-7103

or

Phoenix Advisory Partners
110 Wall Street
27th Floor
New York, NY 10005
Telephone: (800) 499-6377

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosures in this proxy statement. Any representation to the contrary is a criminal offense.

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FORWARD-LOOKING INFORMATION

This proxy statement contains "forward-looking statements," as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act that are based on our current expectations, assumptions, beliefs, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "forecast," "intend," "plan," "project," "should," "could" and similar expressions. Factors that may affect those forward-looking statements include, among other things:

- the risk that the merger may not be consummated in a timely manner, if at all,
- the risk that the regulatory approvals required to complete the merger will not be obtained in a timely manner, if at all,
- the risk that the merger agreement may be terminated in circumstances that require us to pay IBM a termination fee of $14.0 million in connection therewith,
- risks regarding a loss of or a substantial decrease in purchases by our major customers,
- risks related to diverting management's attention from our ongoing business operations,
- risks regarding employee retention, and
- other risks detailed in our current filings with the Securities and Exchange Commission, including our most recent filings on Form 10-K and Form 10-Q, which discuss these and other important risk factors concerning our operations.

We caution you that reliance on any forward-looking statement involves risks and uncertainties and that, although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could be incorrect. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should read carefully this entire proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement. See "Where You Can Find More Information" on page 84. The merger agreement is attached as Annex A to this proxy statement. We encourage you to read the merger agreement, which is the legal document governing the merger. Each item in this summary references another section of this proxy statement with more detailed disclosure about that item.

The Companies (page 18)

DemandTec, Inc.
Attn: Investor Relations
One Franklin Parkway, Building 910
San Mateo, CA 94403
Telephone: (650) 645-7103

DemandTec, Inc., was incorporated in Delaware on November 1, 1999. We provide a collaborative optimization network of software services connecting retail and consumer products, or CP, companies, enabling them to define category, brand, and shopper marketing strategies based on a scientific understanding of consumer behavior and make actionable pricing, promotion, assortment, space, and other merchandising and marketing decisions to achieve their revenue, profitability, sales volume, and customer loyalty objectives. We provide our applications by means of a software-as-a-service, or SaaS, model, which allows us to capture and analyze the most recent retailer and market-level data, enhance our software services rapidly to address our customers' ever-changing merchandising and marketing needs, and connect retailers and CP companies online to enable improved, more collaborative business processes between trading partners. We are headquartered in San Mateo, California, with additional sales presence in North America, Europe, and South America, and research and development personnel in India, China, and Russia.

International Business Machines Corporation
New Orchard Road
Armonk, New York 10504
Telephone: (914) 499-1900

IBM, a New York corporation, creates business value for clients and solves business problems through integrated solutions that leverage information technology and deep knowledge of business processes. IBM solutions typically create value by reducing a client's operational costs or by enabling new capabilities that generate revenue. These solutions draw from an industry leading portfolio of consulting, delivery and implementation services, enterprise software, systems and financing.

Cudgee Acquisition Corp.
New Orchard Road
Armonk, New York 10504
Telephone: (914) 499-1900

Cudgee Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of IBM, was organized solely for the purpose of entering into the merger agreement and completing the merger and the other transactions contemplated by the merger agreement. Cudgee Acquisition Corp. has not conducted any business operations other than in connection with the transactions contemplated by the merger agreement. Upon consummation of the merger, Cudgee Acquisition Corp. will cease to exist, and DemandTec will continue as the surviving corporation.

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Merger Consideration (page 59)

If the merger is completed, you will be entitled to receive $13.20 in cash, without interest and less any applicable withholding taxes, in exchange for each share of DemandTec common stock that you own immediately prior to the effective time of the merger and for which you have not properly exercised appraisal rights.

After the merger is completed, you will have the right to receive the merger consideration, but you will no longer have any rights as a DemandTec stockholder as a result of the merger. DemandTec stockholders will receive the merger consideration in exchange for their DemandTec common stock in accordance with the instructions contained in the letter of transmittal to be sent to holders of DemandTec common stock as soon as reasonably practicable after the closing of the merger, unless the DemandTec stockholder has properly demanded appraisal of its shares.

Treatment of Stock Options, Restricted Stock Units and Purchase Rights (page 59)

Stock Options

Cash-Out Options. Each unexercised and outstanding option to acquire shares of our common stock to the extent (i) vested (or vesting in connection with the merger), (ii) held by any of our or our subsidiaries' non-employee directors, consultants or independent contractors (other than certain unvested options described in the following paragraph) or (iii) such option has an exercise price per share greater than or equal to the merger consideration of $13.20 per share will be cancelled at the effective time of the merger and will be converted into the right of the holder thereof to receive, in consideration for such cancellation, an amount in cash, without interest and less any applicable withholding taxes, payable at or as soon as practicable following the effective time of the merger, equal to the product of the number of shares of our common stock that are subject to such option, and the excess, if any, of the merger consideration of $13.20 per share over the exercise price per share of the common stock subject to such option.

Specified Stock Options. Each outstanding option to acquire shares of our common stock that is unvested, held by certain of our or our subsidiaries' consultants or independent contractors and that has an exercise price per share less than the per share merger consideration of $13.20 will be cancelled at the effective time of the merger. IBM will pay each holder of such an option an amount in cash as described in the preceding paragraph, paid in accordance with the vesting schedule of such options.

Rollover Options. Each outstanding option to acquire shares of our common stock that will not be cancelled in the manner described in the preceding two paragraphs will be converted into an option to acquire, on substantially the same terms and conditions as were applicable to such option prior to the effective time of the merger, the number of shares of IBM's common stock equal to the product of the number of shares of our common stock that are subject to such option and the exchange ratio (which will be determined in accordance with the merger agreement) rounded down to the nearest whole share of IBM's common stock. The exercise price per share of IBM's common stock as of immediately following such conversion will be equal to the per share exercise price for the shares of our common stock purchasable pursuant to such option prior to the effective time of the merger divided by the exchange ratio, rounded up to the nearest whole cent.

Restricted Stock Units

Cash-Out RSUs. Each outstanding and unsettled RSU to the extent (i) vested (or vesting in connection with the merger) or (ii) held by any of our or our subsidiaries' non-employee directors, consultants or independent contractors (other than certain unvested RSUs described in the following paragraph) will be cancelled at the effective time of the merger and will be converted into the right of the holder thereof to receive in consideration for such cancellation an amount in cash, without interest

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and less any applicable withholding taxes, payable at or as soon as practicable following the effective time of the merger, equal to the product of the number of shares of our common stock that are subject to such RSU and the merger consideration of $13.20 per share.

Specified RSUs. Each outstanding RSU that is unvested and held by certain of our or our subsidiaries' consultants or independent contractors will be cancelled at the effective time of the merger. IBM will pay each holder of such an RSU an amount in cash as described in the prior paragraph, paid in accordance with the vesting schedule of such RSUs.

Rollover RSUs. Each outstanding RSU that will not be cancelled in the manner described in the preceding two paragraphs will be converted at the effective time of the merger into an RSU, subject to substantially the same terms and conditions as were applicable to the RSU prior to the effective time of the merger, with respect to a number of shares of IBM's common stock equal to the product of the number of shares of our common stock underlying the RSU prior to the effective time of the merger and the exchange ratio (which will be determined in accordance with the merger agreement) rounded down to the nearest whole share of IBM's common stock. If an RSU is subject to performance-based vesting conditions for which the performance period is scheduled to end following the effective time of the merger, the number of shares of IBM's common stock underlying the converted IBM RSU will be determined based on the assumption that the performance conditions applicable to such RSU were met at 100% of target performance, and each such RSU will vest, following the effective time of the merger, solely on the basis of the service-based vesting conditions applicable to such RSU.

Treatment of Purchase Rights under 2007 Employee Stock Purchase Plan

If the effective time of the merger is on or prior to April 13, 2012 (the last trading day of the current offering period under the ESPP), the ESPP and the offering period in progress will terminate on the last trading day prior to the effective time of the merger after the exercise of outstanding purchase rights at a purchase price equal to 85% of the lesser of (a) the closing price on the NASDAQ Global Market of a share of our common stock on October 15, 2011 (the last trading day before the current offering period began) and (b) the closing price on the NASDAQ Global Market of a share of our common stock on the last trading day before the effective time of the merger. If the merger occurs after April 13, 2012, all purchase rights under the ESPP will be exercised in accordance with the ESPP on April 13, 2012 and the ESPP will be suspended for future offering periods as of such date.

Market Prices and Dividend Data (page 14)

Our common stock is listed on The NASDAQ Global Market under the symbol "DMAN." On December 7, 2011, the last full trading day before the public announcement of the merger, the closing price for our common stock was $8.43 per share, and on January 9, 2012, the latest practicable trading day before the printing of this proxy statement, the closing price for our common stock was $13.15 per share.

We did not declare or pay any cash dividends on our common stock during the three most recent fiscal years.

Material United States Federal Income Tax Consequences of the Merger (page 55)

The conversion of shares of our common stock into the right to receive $13.20 per share of cash merger consideration will be a taxable transaction to our stockholders for U.S. federal income tax purposes. See "The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page 55.

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Tax matters can be complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. We strongly recommend that you consult your own tax advisor to fully understand the tax consequences of the merger to you.

Recommendation of DemandTec's Board of Directors and Reasons for the Merger (page 26)

Our board of directors unanimously recommends that you vote "FOR" the adoption of the merger agreement, "FOR" the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and "FOR" the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable. At a meeting of our board of directors on December 6, 2011, after consultation with our financial and legal advisors, our board of directors unanimously determined that the merger agreement and the merger are fair to and advisable and in the best interests of DemandTec and its stockholders and unanimously approved the merger agreement.

In the course of reaching its decision, our board of directors consulted with our senior management, financial advisor and legal counsel, reviewed a significant amount of information and considered a number of factors. For a discussion of the factors considered by our board of directors in reaching its decision to approve the merger agreement and recommend that our stockholders adopt the merger agreement, see "The Merger Recommendation of DemandTec's Board of Directors and Reasons for the Merger" beginning on page 26.

Opinion of DemandTec's Financial Advisor (page 29 and Annex B)

In connection with the merger, Union Square Advisors LLC, our company's financial advisor, which we refer to as USA, rendered to our company's board of directors its oral opinion, subsequently confirmed in writing, that as of December 6, 2011, and based upon and subject to the various assumptions, procedures, factors, qualifications and limitations set forth in the written opinion, the consideration to be received by the holders of shares of our common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. The full text of the written opinion of USA, dated as of December 6, 2011, is attached as Annex B to this proxy statement and is incorporated by reference in this proxy statement in its entirety. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by USA in rendering its opinion. The summary of the opinion of USA in this proxy statement is qualified in its entirety by reference to the full text of the opinion. **USA's opinion is directed to our board of directors and addresses only the fairness as of the date of the opinion, from a financial point of view, of the consideration to be received by the holders of shares of our common stock pursuant to the merger agreement. USA's opinion does not constitute a recommendation to any holder of our common stock as to how to vote on the merger or any matter related to the merger.**

The full text of the written opinion of USA is attached to this proxy statement as Annex B. DemandTec encourages its stockholders to read USA's opinion carefully and in its entirety. For a further discussion of USA's opinion, see "The Merger Opinion of DemandTec's Financial Advisor" beginning on page 29.

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The Special Meeting of DemandTec's Stockholders (page 14)

Date, Time and Place. A special meeting of our stockholders will be held on February 14, 2012, at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 1200 Seaport Boulevard, Redwood City, California 94063, at 11:00 a.m., local time, to consider and vote upon:

a proposal to adopt the merger agreement,

a proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting, and

a proposal with respect to the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on January 9, 2012, the record date for the special meeting. You will have one vote at the special meeting for each share of our common stock you owned at the close of business on the record date. There are 33,855,843 shares of our common stock outstanding and entitled to be voted at the special meeting.

Quorum. A quorum of stockholders is necessary to hold a valid special meeting. Under our by-laws, a quorum is present at the special meeting if the holders of a majority in voting power of the shares of our common stock issued and outstanding and entitled to vote at the meeting are present in person or represented by proxy.

Required Vote. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the shares of our common stock outstanding and entitled to vote at the close of business on the record date. Approval of (i) the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and (ii) the proposal with respect the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable, require the affirmative vote of the holders of a majority in voting power of the shares of our common stock present or represented by proxy at the special meeting and casting a vote for or against such matters, provided that a quorum is present. In the event that a quorum is not present in person or represented by proxy at the special meeting, it is expected that the special meeting will be adjourned by the chairman of the meeting to solicit additional proxies.

Interests of DemandTec's Executive Officers and Directors in the Merger (page 40)

When considering the recommendation of DemandTec's board of directors, you should be aware that members of DemandTec's board of directors and DemandTec's executive officers have interests in the merger in addition to their interests as DemandTec stockholders generally, as described below. These interests may be different from, or in conflict with, your interests as DemandTec stockholders. The members of our board of directors were aware of these additional interests, and considered them, when they approved the merger agreement.

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Pursuant to the terms of the agreements evidencing stock options and RSUs awarded to our non-employee directors, all such awards will vest in full as of immediately prior to the closing of the merger. However, none of our non-employee directors hold unvested, in-the-money stock options. In addition, pursuant to deferral election agreements entered into with DemandTec, vested RSUs held by certain members of our board of directors will be settled on an accelerated basis in connection with the merger.

Options and RSUs held by each of Messrs. Daniel R. Fishback, Mark A. Culhane and William R. Phelps will be afforded the treatment described in " Treatment of Outstanding Stock Options" beginning on page 53 and " Treatment of Outstanding Restricted Stock Units" beginning on page 54. In addition, each of Messrs. Fishback, Culhane and Phelps hold performance-based RSUs that were granted in April 2011 that vest based on the achievement of financial metrics for our fiscal year ending February 29, 2012 and continued service through specified vesting dates thereafter. Provided the merger occurs before February 29, 2012, the parties have agreed to assume that the performance goals applicable to the RSUs will be achieved at 100% of target performance, and following the effective time of the merger, such RSUs will vest solely on the basis of the service-based vesting conditions applicable to the awards.

Each of Messrs. Fishback and Phelps have received and accepted offer letters from IBM. These offer letters will supersede and replace their existing DemandTec employment arrangements, and they will not be entitled to any of the benefits under such existing arrangements, including any severance or acceleration of vesting of equity-based awards, except as provided under their IBM offer letters. The offer letters with IBM are conditioned upon the closing of the merger and the executive officer's continued employment with DemandTec through the closing of the merger and will provide certain retention/severance payments and equity compensation benefits to such individuals, as described below. In addition, each of Messrs. Fishback, Culhane and Phelps has entered into a non-competition and non-solicitation agreement with IBM.

Pursuant to offer letters between IBM and each of Messrs. Fishback and Phelps:

- each of these executive officers will initially receive the following annual base salaries upon their transition to IBM payroll: Mr. Fishback, $600,000; Mr. Phelps, an amount to be determined but initially no lower than his current DemandTec base salary of $300,000;

- subject to the execution of IBM's standard release of claims, if either of these executive officers is terminated by IBM without "cause" (as such term is described in the executive officer's offer letter with IBM) prior to the 12-month anniversary of the closing of the merger, any options and RSUs held by such executive officer that are unvested as of such termination date will vest in full (other than with respect to one option granted to Mr. Phelps in 2008, which will vest with respect to 50% of the then-unvested shares subject to such option);

- provided Mr. Fishback remains employed by IBM on the first anniversary of the merger and certain transition milestones are satisfied, all of Mr. Fishback's unvested RSUs will vest in full at that time;

- Mr. Fishback will be entitled to participate in a transition program pursuant to which he will be eligible to receive a $400,000 cash bonus on the 12-month anniversary of the closing of the merger or, subject to the execution of IBM's standard release of claims, in the event that his employment is terminated by IBM without "cause" (as such term is described in his offer letter with IBM) or due to his death or disability prior to such 12-month anniversary;

- Mr. Phelps will be entitled to participate in a retention program pursuant to which he will be eligible to receive cash payments equal to an aggregate of $600,000 following the completion of each of three milestone periods following the closing of the merger, ending on the 6-month, 12-month and 24-month anniversary of the closing of the merger;

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if the employment of Mr. Phelps is terminated by IBM without "cause" (as such term is described in his offer letter with IBM) or due to his death or disability prior to the second anniversary of the closing of the merger, he will be entitled to a lump-sum cash payment equal to the amount of the retention bonus that otherwise would have been payable with respect to the then-applicable milestone period, subject to execution of IBM's standard release of claims; and

if the employment of Mr. Phelps is terminated by IBM without "cause" (as such term is described in his offer letter with IBM) prior to the 6-month anniversary of the closing of the merger, he will be entitled to a lump-sum cash payment equal to $160,452 (less any amounts received or receivable pursuant to the terms of the retention program), subject to execution of IBM's standard release of claims.

Mr. Culhane's employment arrangement with DemandTec will remain in effect following the merger. Pursuant to his employment arrangement with DemandTec, Mr. Culhane is eligible to receive severance in a lump-sum payment equal to six months of his then-current base salary plus reimbursement of his medical and dental insurance premiums under COBRA or continued coverage under then-applicable medical, dental, life and disability insurance programs for a period of six months in the event that his employment is terminated without "cause" (as defined in his DemandTec employment arrangement) at any time or due to his resignation for "good reason" (as defined in his DemandTec employment arrangement) within 12 months after a change of control of DemandTec, subject to his execution of a release of claims. Mr. Culhane's unvested equity awards generally provide for full vesting in the event his service is terminated without "cause" or if he resigns for "good reason" (each as defined in the agreements governing his equity awards) within 12 months after a change in control of DemandTec. The merger will constitute a change in control for purposes of Mr. Culhane's employment arrangement and equity awards.

Mr. Michael Bromme, our former Senior Vice President, Retail, who terminated employment on September 16, 2011, is party to a consulting agreement with us pursuant to which he agreed to provide transition consulting services for a period of up to 12 months following October 9, 2011. In the event the consulting agreement is terminated prior to such date other than due to Mr. Bromme's material breach, Mr. Bromme will be entitled to a payment equal to the monthly compensation he would have received during the remainder of the 12-month term of the contract. The consulting agreement and Mr. Bromme's employee proprietary information and inventions agreement include non-solicitation restrictions.

The surviving corporation will assume, and IBM will cause the surviving corporation and its successors and assigns to comply with and honor, all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the effective time of the merger existing in favor of our and our subsidiaries' current or former directors or officers as provided in our and their respective certificates of incorporation or bylaws (or comparable organizational documents) and any indemnification or other agreements as in effect on the date of the merger agreement. We have entered into indemnification agreements with each of our directors and certain officers. Each indemnification agreement provides that we will indemnify the director or officer to the fullest extent permitted by law for claims arising in his or her capacity as our director, officer, employee or agent, provided that he or she acted in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, our best interests and, with respect to any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful. In the event that we do not assume the defense of a claim against such director or officer, we are required to advance his or her expenses in connection with his or her defense, provided that he or she undertakes to repay all amounts advanced if it is ultimately determined that he or she is not entitled to be indemnified by us.

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In the event the surviving corporation consolidates with or merges into another entity and is not the continuing or surviving entity of such consolidation or merger or transfers all or substantially all of its properties and assets to another entity, or if IBM dissolves the surviving corporation, IBM will cause the successors and assigns of the surviving corporation to comply with and honor the indemnification and other obligations set forth above.

IBM will obtain or will cause to be obtained as of the effective time of the merger a "tail" insurance policy with a claims period of six years from the effective time of the merger with respect to directors' and officers' liability insurance covering those persons who were, as of the date of the merger agreement, covered by our directors' and officers' liability insurance policy, for acts or omissions occurring prior to the effective time of the merger, subject to certain limitations.

Legal Proceeding Regarding the Merger (page 49)

Since the announcement of the merger, we and our directors were named as defendants in a purported class action brought by an alleged DemandTec stockholder. The lawsuit, which names us, our directors, IBM and Cudgee Acquisition Corp. as defendants, was filed on January 4, 2012, in the Superior Court of the State of California in and for the County of Santa Clara and is captioned Strategic Trading Company v. DemandTec, Inc., et al., Case No. 112CV216048.

The action, purportedly brought on behalf of a class of our stockholders, asserts claims that our directors purportedly breached their fiduciary duties to our stockholders in connection with the proposed merger. The action further claims that IBM and Cudgee Acquisition Corp. aided and abetted those alleged breaches of fiduciary duties. The plaintiff in the action seeks equitable relief, including an injunction preventing the consummation of the proposed merger, rescission in the event the merger is consummated, and an award of attorneys' and other fees and costs. We believe that the claims are without merit.

Conditions to the Closing of the Merger (page 73)

Our, IBM's and merger sub's obligations to effect the merger are subject to the satisfaction or waiver of the following conditions:

- the adoption of the merger agreement by our stockholders;
- the expiration or termination of any waiting period applicable to the merger required under the HSR Act;
- the receipt of any other approval or the termination or expiration of any waiting period under any other applicable competition, merger control, antitrust or similar law that is applicable to the merger; and
- the absence of any temporary restraining order, preliminary or permanent injunction, or other judgment, order or decree issued by a court of competent jurisdiction or other legal restraint or prohibition that has the effect of preventing the consummation of the merger.

IBM's and merger sub's obligations to effect the merger are further subject to the satisfaction by us or waiver by them of the following conditions:

- each of our representations and warranties contained in the merger agreement is true and correct, to the extent required under the merger agreement, as of the date of the merger agreement and as of the closing date of the merger, as described below under the heading "The Merger Agreement Conditions to the Closing of the Merger" beginning on page 73;
- our performance, in all material respects, of all obligations required to be performed by us under the merger agreement at or prior to the closing date of the merger;

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the absence of any claim, suit, action or proceeding brought or threatened by a governmental entity:

- challenging or seeking to restrain or prohibit the consummation of the merger or the other transactions contemplated by the merger agreement;
- seeking to obtain damages from IBM or its subsidiaries that are material, individually or in the aggregate, in relation to the value of DemandTec and its subsidiaries, taken as a whole;
- seeking to prohibit or limit in any respect, or place conditions on, the ownership or operation by us, IBM or our or its respective affiliates of all or any portion of the business or assets or any product, or requiring any such party to dispose of, license or hold separate all or any portion of the business or assets or any product of us, IBM or any of our or its subsidiaries;
- seeking to directly or indirectly impose limitations on the ability of IBM or any of its affiliates to acquire or hold, or exercise full rights of ownership of, our common stock or the common stock of the surviving corporation or any of IBM's subsidiaries;
- seeking to directly or indirectly prohibit IBM or any of its affiliates from effectively controlling any of the business or operations of us or our or IBM's subsidiaries; or
- seeking to directly or indirectly prevent us or our or IBM's subsidiaries from operating our or their respective businesses in substantially the same manner as operated by us or them prior to the date of the merger agreement;

the absence of any temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by a court of competent jurisdiction that is reasonably likely to result, directly or indirectly, in any of the effects described in the immediate preceding condition;

IBM shall have received evidence, in form and substance reasonably satisfactory to it, that IBM or we have obtained all material consents, approvals, authorizations, qualifications and orders of all governmental entities legally required to effect the merger, and all consents, licenses, approvals and waivers agreed to by us, IBM and merger sub; and

a material adverse effect has not occurred with respect to us since the date of the merger agreement.

Our obligations to effect the merger are subject to the further satisfaction by IBM and/or merger sub or waiver by us of the following conditions:

each of the representations and warranties of IBM and merger sub contained in the merger agreement is true and correct, to the extent required under the merger agreement, as of the date of the merger agreement and as of the closing date of the merger, as described below under the heading "The Merger Agreement Conditions to the Closing of the Merger" beginning on page 73; and

IBM's and merger sub's performance, in all material respects, of all obligations required to be performed by them under the merger agreement at or prior to the closing date of the merger.

No Solicitation of Acquisition Proposals by DemandTec (page 68)

We have agreed that we will not, and will not authorize or permit any of our subsidiaries to, nor will we authorize or permit any of our or our subsidiaries' directors, officers or employees or any of

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our or their investment bankers, attorneys, accountants or other advisors or representatives to, directly or indirectly:

- solicit, initiate or knowingly encourage, or take any other action to knowingly facilitate, any takeover proposal or any inquiries or the making of any proposal that could reasonably be expected to lead to a takeover proposal (as defined in the merger agreement and described below under the heading "The Merger Agreement Covenants Board Recommendation" beginning on page 69); or

- enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or otherwise cooperate with any person with respect to, any takeover proposal.

Despite these general prohibitions, at any time prior to the adoption of the merger agreement by our stockholders and subject to the conditions described below under the heading "The Merger Agreement Covenants No Solicitation of Acquisition Proposals" beginning on page 68, in response to a bona fide written unsolicited takeover proposal that our board determines in good faith is, or could reasonably be expected to lead to, a superior proposal (as defined in the merger agreement and described below under the heading "The Merger Agreement Covenants Board Recommendation") and which did not result from our breach of the merger agreement, we may and may permit and authorize our subsidiaries and our and our subsidiaries' representatives to:

- furnish information to a person making such a takeover proposal (and its representatives) pursuant to a confidentiality agreement which contains terms that are no less restrictive than those contained in the confidentiality agreement between us and IBM, provided that all such information has been provided or made available, or is substantially concurrently provided or made available, to IBM; and

- participate in discussions or negotiations with, and only with, the person making such takeover proposal (and its representatives) regarding such takeover proposal.

Termination of the Merger Agreement (page 74)

The merger agreement may be terminated under the following circumstances:

- by our, IBM's and merger sub's mutual written consent;

- by either IBM or us if:

  - the merger is not consummated by June 30, 2012, but this right to terminate the merger agreement will not be available to any party whose action or failure to act has been a principal cause of or resulted in the failure of the merger to occur on or before such date and such action or failure to act constitutes a breach of the merger agreement;

  - any temporary restraining order, preliminary or permanent injunction, or other judgment, order or decree issued by a court of competent jurisdiction or other legal restraint or prohibition having the effect of preventing the consummation of the merger is in effect and has become final and nonappealable; or

  - our stockholders do not adopt the merger agreement at the stockholders meeting (or at any adjournment or postponement thereof) that we have held and completed for such purpose;

by us if IBM breaches a representation or warranty or fails to perform a covenant or other agreement contained in the merger agreement so that the related closing conditions cannot be satisfied and such breach or failure to perform cannot be cured or is not cured by IBM or merger sub within 30 business days after such breach or failure to perform, or if such breach or failure to perform is curable by such date, IBM or merger sub, as the case may be, does not

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commence to cure such breach or failure to perform within 10 business days after receipt of written notice from us and diligently pursue such cure thereafter; or

by IBM if:

we deliver a notice to IBM that our board of directors has withdrawn or modified its recommendation that the merger agreement or the merger or both are advisable in a manner adverse to IBM or merger sub or such an adverse recommendation change has occurred;

we breach a representation or warranty or fail to perform a covenant or other agreement contained in the merger agreement so that the related closing conditions cannot be satisfied and such breach or failure to perform cannot be cured or is not cured by us within 30 business days after such breach or failure to perform, or if such breach or failure to perform is curable by such date, we do not commence to cure such breach or failure to perform within 10 business days after receipt of written notice from IBM and diligently pursue such cure thereafter; or

any legal restraint is in effect and has become final and nonappealable that has one of the effects set forth in the merger agreement and described below under the heading "The Merger Agreement Termination of the Merger Agreement" beginning on page 74.

Termination Fee and Expenses (page 75)

Each party will generally pay its own fees and expenses in connection with the merger, whether or not the merger is consummated.

We will be required to pay a termination fee of $14.0 million to IBM if:

prior to the vote at the stockholders meeting (or at any adjournment or postponement thereof) that we have called for the purpose adopting the merger agreement, a takeover proposal has been made to us or our stockholders, or any person has announced an intention to make a takeover proposal, or a takeover proposal otherwise becomes known to us or generally known to our stockholders and thereafter:

the merger agreement is terminated by either us or IBM because the merger has not been consummated by June 30, 2012 or the merger agreement is terminated by either us or IBM because our stockholders did not adopt the merger agreement at the stockholders meeting (or at any adjournment or postponement thereof) that we have held and completed for such purpose; and

within 12 months after such termination of the merger agreement, either we or one of our subsidiaries enters into an acquisition agreement with respect to any takeover proposal or any takeover proposal is consummated (solely for purposes of this provision, all references to 10% in the definition of "takeover proposal," as described below under the heading "The Merger Agreement Covenants Board Recommendation" beginning on page 69, are deemed to be references to 30%); or

IBM terminates the merger agreement because we deliver a notice to IBM that our board of directors has withdrawn or modified its recommendation that the merger agreement or the merger or both are advisable in a manner adverse to IBM or merger sub or such an adverse recommendation change has occurred.

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Regulatory Matters (page 58)

The HSR Act prohibits us from completing the merger until we have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and the required waiting period has expired or been terminated. The parties filed their respective notification and report forms pursuant to the HSR Act with the Antitrust Division of the U.S. Department of Justice and the Federal Trade Commission on December 22, 2011, and received early termination of the waiting period effective January 3, 2012. The merger is also subject to review by the governmental authorities of various other jurisdictions under the antitrust or competition laws of those jurisdictions. We have filed or will file the appropriate notifications in each such jurisdiction and are pursuing the approval of the transaction.

Appraisal Rights (page 50)

Record holders of our common stock as of the record date who do not vote in favor of the merger may elect to pursue their appraisal rights to receive the judicially determined "fair value" of their shares, which could be more or less than, or the same as, the per share merger consideration for the common stock, but only if they comply with the procedures required under Delaware law. For a summary of these Delaware law procedures, see "The Merger Appraisal Rights" beginning on page 50. An executed proxy that is not marked "AGAINST" or "ABSTAIN" will be voted "FOR" the adoption of the merger agreement and will disqualify the stockholder submitting that proxy from demanding appraisal rights.

A copy of Section 262 of the General Corporation Law of the State of Delaware, or DGCL, is included as Annex C to this proxy statement. Failure to follow the procedures set forth in Section 262 of the DGCL will result in the loss of appraisal rights. We encourage you to read these provisions carefully and in their entirety.

ANY DEMANDTEC STOCKHOLDER WHO WISHES TO EXERCISE APPRAISAL RIGHTS OR WHO WISHES TO PRESERVE HIS, HER OR ITS RIGHT TO DO SO SHOULD REVIEW ANNEX C CAREFULLY AND SHOULD CONSULT HIS, HER OR ITS LEGAL ADVISOR, SINCE FAILURE TO TIMELY AND FULLY COMPLY WITH THE PROCEDURES SET FORTH THEREIN WILL RESULT IN THE LOSS OF SUCH RIGHTS.

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MARKET PRICES AND DIVIDEND DATA

Our common stock is listed on The NASDAQ Global Market under the symbol "DMAN." This table shows, for the periods indicated, the range of intraday high and low per share sales prices for our common stock as reported on The NASDAQ Global Market.

	Fiscal Quarters			
	First	Second	Third	Fourth
Fiscal Year 2012 (Through January 9, 2012)				
High	$ 13.48	$ 9.90	$ 8.62	$ 13.21
Low	$ 8.88	$ 5.41	$ 5.46	$ 7.65
Fiscal Year 2011				
High	$ 7.05	$ 7.85	$ 11.11	$ 14.08
Low	$ 5.79	$ 5.34	$ 7.35	$ 10.05
Fiscal Year 2010				
High	$ 9.28	$ 10.00	$ 9.57	$ 9.50
Low	$ 6.65	$ 7.47	$ 7.83	$ 5.25

The following table sets forth the closing price per share of our common stock, as reported on The NASDAQ Global Market on December 7, 2011, the last full trading day before the public announcement of the merger, and on January 9, 2012, the latest practicable trading day before the printing of this proxy statement:

	Common Stock Closing Price
December 7, 2011	$ 8.43
January 9, 2012	$ 13.15

You are encouraged to obtain current market quotations for our common stock in connection with voting your shares of common stock. If the merger is consummated, there will be no further market for our common stock and our common stock will be delisted from The NASDAQ Global Market and deregistered under the Securities Exchange Act.

Dividends

We did not declare or pay any cash dividends on our common stock during the three most recent fiscal years. In the event that the merger is not consummated, we would expect to retain earnings, if any, to fund the development and growth of our business and would not anticipate paying cash dividends on our common stock in the foreseeable future. In such event, our payment of any future dividends would be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, cash needs and growth plans.

THE SPECIAL MEETING

The enclosed proxy is solicited on behalf of the board of directors of DemandTec for use at the special meeting of stockholders or at any adjournment or postponement thereof.

Date, Time and Place

We will hold the special meeting at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 1200 Seaport Boulevard, Redwood City, California 94063, at 11:00 a.m., local time, on February 14, 2012.

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Purpose of the Special Meeting

At the special meeting, we will ask the holders of our common stock to (i) adopt the merger agreement, as it may be amended from time to time, (ii) if there are not sufficient votes in favor of adoption of the merger agreement, to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies and (iii) vote on a proposal with respect to the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

Record Date; Shares Entitled to Vote; Quorum

Only holders of record of our common stock at the close of business on January 9, 2012, the record date, are entitled to notice of, and to vote at, the special meeting. On the record date, 33,855,843 shares of our common stock were issued and outstanding and held by approximately 89 holders of record. Holders of record of our common stock on the record date are entitled to one vote per share at the special meeting on the proposal to adopt the merger agreement and the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies.

A quorum of stockholders is necessary to hold a valid special meeting. Under our by-laws, a quorum is present at a meeting if the holders of a majority in voting power of the shares of our common stock issued and outstanding and entitled to vote at the meeting are present in person or represented by proxy. In the event that a quorum is not present at the special meeting, it is expected that the special meeting will be adjourned by the chairman of the meeting to solicit additional proxies. For purposes of determining the presence of a quorum, abstentions will be counted as shares present and broker non-votes (where a broker or nominee does not exercise discretionary authority to vote on a matter), if any, will also be counted as shares present.

Vote Required

The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Adoption of the merger agreement is a condition to the closing of the merger.

Approval of (i) the proposal to adjourn the special meeting to a later date, if necessary or appropriate, in order to solicit additional proxies from our stockholders and (ii) the proposal with respect to the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable, require the affirmative vote of the holders of a majority in voting power of the shares of our common stock present or represented by proxy at the special meeting and casting a vote for or against such matters, provided that a quorum is present.

Voting by DemandTec Directors and Executive Officers

At the close of business on the record date, our directors and executive officers and their affiliates owned and were entitled to vote shares of our common stock, which represented approximately 1.3% of the shares of our outstanding common stock on that date. We expect that these directors and executive officers will vote all of their shares of our common stock "FOR" adoption of the merger agreement, "FOR" the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies and "FOR" the proposal with respect to an approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable

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to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.

Voting of Proxies

If your shares are registered in your name, you may cause your shares to be voted at the special meeting by returning a signed proxy card or voting in person at the meeting. Additionally, you may submit a proxy authorizing the voting of your shares via the Internet at www.eproxy.com/dman or by telephone by calling 1-800-560-1965. You must have the enclosed proxy card available, and follow the instructions on the proxy card, in order to submit a proxy via the Internet or telephone.

If your shares are registered in your name and you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the meeting. If your shares are registered in your name, you are encouraged to submit a proxy card even if you plan to attend the special meeting in person.

Voting instructions are included on your proxy card. All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in accordance with the instructions of the stockholder. Properly executed proxies that do not contain voting instructions will be voted "FOR" the adoption of the merger agreement, "FOR" the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies and "FOR" the proposal with respect to an approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable, provided that no proxy that is specifically marked "AGAINST" the proposal to adopt the merger agreement will be voted "FOR" the adjournment proposal or the proposal regarding "golden parachute" payments unless it is specifically marked "FOR" the adjournment proposal and/or "FOR" the proposal regarding "golden parachute" payments.

If your shares are held in "street name" through a broker or other nominee, you may provide voting instructions by completing and returning the voting form provided by your broker or nominee or via the Internet or by telephone through your broker or nominee, if such a service is provided. To provide voting instructions via the Internet or telephone, you should follow the instructions on the voting form provided by your broker or nominee. If you plan to attend the special meeting, you will need a proxy from your broker or nominee in order to be given a ballot to vote the shares. If you do not return your broker's or nominee's voting form, provide voting instructions via the Internet or telephone through your broker or nominee, if possible, or attend the special meeting and vote in person with a proxy from your broker or nominee, it will have the same effect as if you voted "AGAINST" the adoption of the merger agreement.

Revocability of Proxies

Any proxy you give pursuant to this solicitation may be revoked by you at any time before it is voted. Proxies may be revoked as follows:

If you have sent a proxy directly to DemandTec, you may revoke it by:

- delivering a written revocation of the proxy or a later dated, signed proxy card, to our Corporate Secretary at our corporate offices at DemandTec, Inc., One Franklin Parkway, Building 910, San Mateo, California 94403, on or before the business day prior to the special meeting;

- delivering a new, later dated proxy by telephone or via the Internet on or before the business day prior to the special meeting;

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delivering a written revocation or a later dated, signed proxy card to us at the special meeting prior to the taking of the vote on the matters to be considered at the special meeting; or

attending the special meeting and voting in person.

If you have instructed a broker or nominee to vote your shares, you may revoke your proxy only by following the directions received from your broker or nominee to change those instructions.

Revocation of a proxy will not affect any vote taken prior to revocation. Attendance at the special meeting will not in itself constitute the revocation of a proxy; you must vote in person at the special meeting to revoke a previously delivered proxy.

Board of Directors' Recommendations

Our board of directors has unanimously approved the merger agreement and determined that the merger agreement and the merger are fair to and advisable and in the best interests of DemandTec and its stockholders. **Our board of directors unanimously recommends that DemandTec stockholders (i) vote "FOR" the proposal to adopt the merger agreement, (ii) vote "FOR" the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to permit the solicitation of additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and (iii) vote "FOR" the proposal with respect to an approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable.**

Abstentions and Broker Non-Votes

Stockholders that abstain from voting on a particular matter and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter will not be counted as votes in favor of such matter. For purposes of determining the presence of a quorum, abstentions will be counted as shares present and broker non-votes (where a broker or nominee does not exercise discretionary authority to vote on a matter), if any, will also be counted as shares present. Abstentions and broker non-votes will have the same effect as votes against the adoption of the merger agreement and will have no effect on the approval of (i) the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting and (ii) the proposal with respect to the approval, on an advisory (non-binding) basis, of certain "golden parachute" compensation that may be paid or become payable to DemandTec's named executive officers in connection with the merger, including the agreements and understandings with DemandTec pursuant to which such compensation may be paid or become payable, provided that a quorum is present.

Solicitation of Proxies

The expense of soliciting proxies in the enclosed form will be borne by DemandTec. We have retained Phoenix Advisory Partners, a proxy solicitation firm, to solicit proxies in connection with the special meeting at a cost of approximately $7,500 plus expenses. We may reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may be solicited by certain of our directors, officers and employees, personally or by telephone, facsimile or other means of communication. No additional compensation will be paid for such services.

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Stockholder List

A list of our stockholders entitled to vote at the special meeting will be available for examination by any DemandTec stockholder at the special meeting. For ten days prior to the special meeting, this stockholder list will be available for inspection by any stockholder for any purpose germane to the special meeting during ordinary business hours at our corporate offices located at DemandTec, Inc., One Franklin Parkway, Building 910, San Mateo, California 94403.

THE COMPANIES

DemandTec, Inc.

DemandTec, Inc., was incorporated in Delaware on November 1, 1999. We provide a collaborative optimization network of software services connecting retail and consumer products, or CP, companies, enabling them to define category, brand, and shopper marketing strategies based on a scientific understanding of consumer behavior and make actionable pricing, promotion, assortment, space, and other merchandising and marketing decisions to achieve their revenue, profitability, sales volume, and customer loyalty objectives. We provide our applications by means of a software-as-a-service, or SaaS, model, which allows us to capture and analyze the most recent retailer and market-level data, enhance our software services rapidly to address our customers' ever-changing merchandising and marketing needs, and connect retailers and CP companies online to enable improved, more collaborative business processes between trading partners. We are headquartered in San Mateo, California, with additional sales presence in North America, Europe, and South America, and research and development personnel in India, China, and Russia.

DemandTec's principal executive offices are located at One Franklin Parkway, Building 910, San Mateo, California 94403. DemandTec's website is located at http://www.demandtec.com. Additional information regarding DemandTec is contained in our filings with the Securities and Exchange Commission. See "Where You Can Find More Information" beginning on page 84.

International Business Machines Corporation

IBM, a New York corporation, creates business value for clients and solves business problems through integrated solutions that leverage information technology and deep knowledge of business processes. IBM solutions typically create value by reducing a client's operational costs or by enabling new capabilities that generate revenue. These solutions draw from an industry leading portfolio of consulting, delivery and implementation services, enterprise software, systems and financing.

IBM's principal executive offices are located at New Orchard Road, Armonk, New York 10504 and its telephone number is (914) 499-1900. Additional information regarding IBM is contained in IBM's filings with the Securities and Exchange Commission. See "Where You Can Find More Information" beginning on page 84.

Cudgee Acquisition Corp.

Cudgee Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of IBM, was organized solely for the purpose of entering into the merger agreement and completing the merger and the other transactions contemplated by the merger agreement. Merger sub's principal executive offices are located at New Orchard Road, Armonk, New York, 10504 and its telephone number is (914) 499-1900. Merger sub has not conducted any business operations other than in connection with the transactions contemplated by the merger agreement.

Upon consummation of the merger, merger sub will cease to exist, and DemandTec will continue as the surviving corporation.

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THE MERGER

The following discussion summarizes the material terms of the merger. We urge you to read carefully the merger agreement, which is attached as Annex A to this proxy statement.

Background to the Merger

IBM has been a strategic partner of ours for several years, providing business process outsourcing, systems integration and general consulting services and collaborating jointly with us to sell and implement IBM and DemandTec solutions in multiple geographies. From time to time in the past, we and IBM have had discussions regarding our commercial relationship.

On July 27, 2011, Dan Fishback, our president and CEO, and Mark Culhane, our executive vice president and CFO, were contacted by Chuck Robel, a member of our board, who advised them that he had been contacted by and met with representatives of Union Square Advisors LLC, which we refer to as USA, who expressed interest in meeting with our management to discuss our business and potential strategic alternatives. USA is an investment bank that provides financial advisory services to companies like DemandTec.

On July 28, 2011, Mr. Culhane was contacted by Carter McClelland, executive chairman and a senior managing director of USA, to arrange a meeting with representatives of USA. On July 29, 2011, Mr. Culhane responded and expressed a willingness to meet.

On August 3, 2011, at a regularly scheduled meeting of our board, management reviewed and discussed our recent operating and financial results and preliminary three-year operating plan. As part of the discussion, our board discussed our business prospects and operating environment.

On August 10, 2011, Mr. Culhane and Will Johnson, our vice president of corporate development and strategy, held a preliminary meeting with representatives of USA, including Mr. McClelland and another USA senior investment banker, who was a former IBM employee, to discuss our business and potential strategic alternatives that might be available to us.

On August 11, 2011, USA informed Mr. Culhane that Yuchun Lee, vice president and general manager of IBM's enterprise marketing management group, which we refer to as EMMG, was interested in meeting with members of our management to share views on strategy and vision. Mr. Lee formerly served as CEO of Unica Corporation, which IBM acquired in October 2010.

On August 16, 2011, Archie Colburn, managing director of corporate development of IBM, contacted Messrs. Fishback and Culhane regarding a possible in-person meeting between representatives of our management and IBM to discuss strategic alternatives. They also discussed a nondisclosure agreement, which we refer to as an NDA, between the two parties.

On August 18, 2011, Mr. Colburn sent us a draft of a proposed NDA to supersede the existing NDA entered into between the two parties in February 2008 in connection with their commercial relationship. The new NDA was negotiated by representatives of the two parties and entered into effective September 6, 2011. During this timeframe, representatives of our management and IBM also exchanged communications about the proposed in-person meeting and related matters.

On August 25, 2011, Messrs. Fishback and Culhane met in person in Boston, MA with representatives of IBM, including Mr. Lee, to discuss our business, vision and strategy as well as the potential strategic fit of our business and IBM's EMMG business.

On August 31, 2011, members of our management met with representatives of USA at our offices in San Mateo, CA to review our business and discuss potential strategic alternatives that may be available to us.

After the August 31, 2011 meeting, representatives of both parties exchanged communications about a follow-on in-person meeting after the Labor Day weekend. On September 8, 2011,

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Messrs. Fishback, Culhane and Johnson met with Mr. Colburn of IBM at our offices in San Mateo, CA to continue discussions about our business and the strategic fit of our business with IBM's EMMG business. During the meeting, Mr. Colburn expressed IBM's interest in acquiring our company.

On September 12, 2011, after discussions with other members of our management and representatives of USA, Mr. Culhane spoke by phone with Mr. Colburn to discuss how we and IBM would view the value of our business if our board were to consider a strategic transaction at the present time and to better understand IBM's view of next steps.

On September 12, 2011, Mr. Fishback briefed Victor Lund, the chairman of our board of directors, on the status of discussions with IBM regarding a potential acquisition of our company. Mr. Lund then called a meeting of our board to consider our response to IBM's preliminary acquisition interest.

On September 13 and 14, 2011, members of our management continued discussions regarding a potential sale transaction with IBM as well as other potential alternatives for our company internally and with representatives of USA.

On September 14, 2011, Mr. Colburn of IBM submitted to Mr. Fishback IBM's written indication of interest to acquire all of our outstanding stock for $11.25 per share in cash contingent on our agreeing prior to 2:00 p.m. PDT on September 19, 2011 to enter into an exclusivity agreement with an exclusivity period ending no earlier than November 22, 2011 and subject to IBM completing a customary due diligence review and the parties entering into mutually acceptable definitive agreements, including customary employment and retention arrangements with certain members of our senior management team.

Later in the day on September 14, 2011 at a meeting of our board of directors, Mr. Lund communicated to our directors IBM's interest in acquiring our company. After discussion, our board determined to retain Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, which we refer to as Gunderson Dettmer, as external counsel to advise our board through the process of evaluating any potential interest by IBM and related matters. Additionally, our board discussed the retention of a financial advisor to assist in the evaluation of IBM's indication of interest and to evaluate more broadly our strategic alternatives. Our board directed management to work with representatives of Gunderson Dettmer to evaluate whether to retain USA and, if so, to advise our board on the terms of USA's engagement.

On September 16, 2011, our board held a meeting at which they discussed IBM's $11.25 per share indication of interest and proposed exclusivity period. Representatives of Gunderson Dettmer reviewed for the directors their fiduciary responsibilities generally and in connection with proposed transactions of this type. Among other things, our board (i) discussed various processes that might be followed if our board were to explore a potential sale of our company, (ii) reviewed other potential buyers, including their potential strategic fit, financial capability, acquisition history and likelihood of offering a price higher than that offered by IBM, (iii) considered the potential harm to our company if the possibility of a sale of our company became known to the public or to our customers and competitors, (iv) considered the risk of jeopardizing IBM's offer by soliciting other potential buyers and (v) noted that IBM and other potential buyers would likely want to enter into employment and/or retention agreements with members of our management team. Our board then directed our management to contact three potential buyers that appeared to have the resources, expertise and interest to acquire us. Each of these companies was a significant technology company which we believed could have a strategic need for the solutions we provide and possessed the financial resources to complete an acquisition of our company. We refer to these companies as Company A, Company B and Company C. Our board also discussed our management's role in exploration of a sales process in light of any potential buyer's desire to formalize employment and retention agreements and directed management to retain separate counsel to advise them about any such potential employment offers. In addition, our board then discussed the benefits and potential issues regarding the possible retention of USA as its

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financial advisor and authorized management to retain USA as our financial advisor, subject to (i) addressing any potential conflicts of interest that might arise as a result of the senior USA investment banker who participated in preliminary meetings and discussions with us having recently served as head of the corporate development group of IBM and (ii) our board approving the terms and conditions of USA's advisory role.

