DemandTec, Inc.
Form DEF 14A
June 25, 2010

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

Filed by the Registrant þ
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))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 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)

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þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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DEMANDTEC, INC.
One Franklin Parkway, Building 910
San Mateo, CA 94403

June 25, 2010

Dear Stockholder:

I am pleased to invite you to attend DemandTec, Inc. s 2010 Annual Meeting of Stockholders, to be held on Wednesday, August 4, 2010 at DemandTec s Corporate Headquarters, One Franklin Parkway, Building 910, San Mateo, California, 94403. The meeting will begin promptly at 11:00 a.m., local time. If you wish to attend the meeting to vote in person and need directions, please contact DemandTec Investor Relations at (650) 645-7103 or investorrelations@demandtec.com.

Enclosed are the following:

our Notice of Annual Meeting of Stockholders and Proxy Statement for 2010;

our Annual Report on Form 10-K for fiscal year 2010; and

a proxy card with a return envelope to record your vote.

Details regarding the business to be conducted at the Annual Meeting are more fully described in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement. We encourage you to read these materials carefully.

Your vote is important. Whether or not you expect to attend, please date, sign, and return your proxy card in the enclosed envelope, or vote via telephone or the Internet according to the instructions in the Proxy Statement, as soon as possible to ensure that your shares will be represented and voted at the Annual Meeting. If you attend the Annual Meeting, you may vote your shares in person even though you have previously voted by proxy if you follow the instructions in the Proxy Statement.

On behalf of the Board of Directors, thank you for your continued support and interest.

Sincerely,

Daniel R. Fishback
President and Chief Executive Officer

One Franklin Parkway, Building 910
San Mateo, CA 94403

T 650.645.7100 *F* 650.645.7400
www.demandtec.com

YOUR VOTE IS EXTREMELY IMPORTANT

Please vote by telephone or Internet, or date and sign the enclosed proxy card and return it at your earliest convenience in the enclosed postage-prepaid return envelope so that your shares may be voted.

DEMANDTEC, INC.
One Franklin Parkway, Building 910
San Mateo, CA 94403

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On August 4, 2010

Dear Stockholder:

You are cordially invited to attend the 2010 Annual Meeting of Stockholders of DemandTec, Inc., a Delaware corporation (the Company). The meeting will be held on Wednesday, August 4, 2010 at 11:00 a.m. local time at DemandTec s Corporate Headquarters, One Franklin Parkway, Building 910, San Mateo, California, 94403 for the following purposes:

1. To elect three (3) members of the Board of Directors to serve until the 2013 annual meeting of stockholders of the Company or until such persons successors have been duly elected and qualified.

2. To ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending February 28, 2011.

3. To transact any other business properly brought before the meeting or any adjournment thereof.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the 2010 Annual Meeting is June 14, 2010. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

Michael J. McAdam
General Counsel and Corporate Secretary

San Mateo, California
June 25, 2010

You are cordially invited to attend the annual meeting in person. Whether or not you expect to attend the annual 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 annual 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 annual 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 annual meeting, you must obtain a proxy issued in your name from that record holder.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON AUGUST 4, 2010.

The Proxy Statement and Annual Report on Form 10-K are available at
https://materials.proxyvote.com/24802R

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DEMANDTEC, INC.

One Franklin Parkway, Building 910
San Mateo, CA 94403

PROXY STATEMENT
FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS
To Be Held On August 4, 2010

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We sent you this Proxy Statement and the enclosed proxy card because the Board of Directors of DemandTec, Inc. (sometimes referred to as we, the Company or DemandTec) is soliciting your proxy to vote at the 2010 Annual Meeting of Stockholders (the Annual Meeting). You are invited to attend the Annual Meeting to vote on the proposals described in this Proxy Statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy by telephone or on the Internet.

The Company intends to commence mailing to all stockholders of record entitled to vote at the Annual Meeting and to post on the Internet at https://materials.proxyvote.com/24802R our Annual Report on Form 10-K, this Proxy Statement and accompanying proxy card on or about June 25, 2010.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on June 14, 2010 will be entitled to vote at the Annual Meeting. On this record date, there were 30,053,669 shares of Company common stock (Common Stock) outstanding. All of these outstanding shares are entitled to vote at the Annual Meeting.

Stockholder of Record: Shares Registered in Your Name

If on June 14, 2010 your shares were registered directly in your name with DemandTec s transfer agent, Wells Fargo Shareowner Services, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy via telephone or the Internet as instructed on your proxy card to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on June 14, 2010 your shares were held in an account at a broker, bank or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent on how to vote the shares in your account. A number of brokers and banks enable beneficial owners to give voting instructions via telephone or the Internet. Please refer to the voting instructions provided by your bank or broker. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you provide a valid proxy from your broker, bank or other custodian.

What am I voting on?

There are two matters scheduled for a vote:

Proposal No. 1: Election of three (3) members of the Board of Directors to serve as Class III directors until the Company s 2013 Annual Meeting of Stockholders or until their successors are duly elected and qualified.

Proposal No. 2: Ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for the Company for the fiscal year ending February 28, 2011.

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How do I vote?

You may either vote **For** all the nominees to the Board of Directors or you may withhold your vote from any nominee you specify. You may not vote your proxy **For** the election of any persons in addition to the three named nominees. For the other matters to be voted on, you may vote **For** or **Against** or abstain from voting. The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote by proxy using the enclosed proxy card, vote by proxy on the Internet or by telephone, or vote in person at the Annual Meeting. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

To vote on the Internet, please follow the instructions provided on your proxy card.

To vote by telephone, please follow the instructions provided on your proxy card.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other similar organization, you should have received instructions for granting proxies with these proxy materials from that organization rather than from the Company. A number of brokers, banks and other agents enable beneficial owners to give voting instructions via telephone or the Internet. Please refer to the voting instructions provided by your broker, bank or other agent. To vote in person at the Annual Meeting, you must provide a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of Common Stock you own as of June 14, 2010.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted **For** the election of the three nominees for director and **For** ratification of Ernst & Young LLP as our independent registered public accounting firm. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his best judgment.

Who is paying for this proxy solicitation?

DemandTec will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, DemandTec s directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. DemandTec may reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

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What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. You may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may send a written notice that you are revoking your proxy to the Corporate Secretary of the Company at DemandTec, Inc., One Franklin Parkway, Building 910, San Mateo, California 94403.

You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count **For** and (with respect to proposals other than the election of directors) **Against** and **Abstain** votes and broker non-votes. **Abstain** votes will be counted towards the vote total for each proposal, and will have the same effect as **Against** votes. Broker non-votes, as described in the next paragraph, have no effect and will not be counted towards the vote total.

If your shares are held by your broker, bank, or other similar organization as your nominee (that is, in street name), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not provide voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker, bank, or other organization is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum would have otherwise been obtained.

How many votes are needed to approve each proposal?

Proposal No. 1. Directors are elected by a plurality of the affirmative votes cast by those shares present in person, or represented by proxy, and entitled to vote at the Annual Meeting. The nominees for director receiving the highest number of affirmative votes will be elected. Abstentions and broker non-votes will not be counted toward a nominee s total. Stockholders may not cumulate votes in the election of directors.

Proposal No. 2. Ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending February 28, 2011 requires the affirmative vote of a majority of those shares present in person, or represented by proxy, and cast either affirmatively or negatively at the Annual Meeting. Abstentions will have the same effect as an Against vote. Broker non-votes will not be counted as having been voted on the proposal.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if a majority of all outstanding shares is represented by stockholders present at the meeting or by proxy. On the record date, there were 30,053,669 shares of Common Stock outstanding and entitled to vote. Thus 15,026,835 shares must be represented by stockholders present at the meeting or by proxy to have a quorum. Abstentions and broker non-votes will be counted as present for the purpose of determining the presence of a quorum. Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote at the meeting.

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How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a Current Report on Form 8-K within four business days following the Annual Meeting. In the event we are unable to obtain the final voting results within four business days, we will file the preliminary voting results in a Current Report on Form 8-K within four business days following the Annual Meeting, and will file an amended Form 8-K with the final voting results within four business days after the final voting results are known.

How can stockholders submit a proposal for inclusion in our Proxy Statement for the 2011 Annual Meeting of Stockholders?

To be included in our Proxy Statement for the 2011 annual meeting of stockholders, stockholder proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act). Except as provided below, stockholder proposals must be received by our Corporate Secretary at our principal executive offices no later than February 25, 2011, or one hundred twenty (120) calendar days before the one-year anniversary of the date on which we first commenced mailing our proxy statement to stockholders in connection with this year s Annual Meeting.

How can stockholders submit proposals to be raised at the 2011 Annual Meeting of Stockholders that will not be included in our Proxy Statement for the 2011 Annual Meeting of Stockholders?

To be raised at the 2011 annual meeting of stockholders, stockholder proposals must comply with our amended and restated bylaws (the Bylaws). Under our Bylaws, a stockholder must give advance notice to our Corporate Secretary of any business, including nominations of directors for our Board, that the stockholder wishes to raise at the 2011 annual meeting of stockholders. Except as provided below, a stockholder s notice shall be delivered to our Corporate Secretary at our principal executive offices not less than forty-five (45) or more than seventy-five (75) days prior to the first anniversary of the date of the preceding year s annual meeting of stockholders. Since the 2010 Annual Meeting will be held on August 4, 2010, stockholder proposals must be received by our Corporate Secretary at our principal executive offices no earlier than May 21, 2011 and no later than June 20, 2011, in order to be raised at our 2011 annual meeting of stockholders.

What if the date of the 2011 Annual Meeting of Stockholders changes by more than 30 days from the anniversary of this year s Annual Meeting?

Under Rule 14a-8 of the Exchange Act, if the date of the 2011 annual meeting of stockholders changes by more than 30 days from the anniversary of this year s Annual Meeting, to be included in our Proxy Statement, stockholder proposals must be received by us within a reasonable time before our solicitation is made. Under our Bylaws, for stockholder proposals that will not be included in our Proxy Statement, notice of such proposal must be received no later than the close of business on the later of (i) the 90th day prior to the 2011 annual meeting of stockholders or (ii) the 10th day following the day on which public announcement of the meeting is first made.

Does a stockholder proposal require specific information?

With respect to a stockholder s nomination of a candidate for our Board, the stockholder notice to our Corporate Secretary must contain certain information as set forth in our Bylaws about both the nominee and the stockholder making the nomination. With respect to any other business that the stockholder proposes, the stockholder notice must contain a brief description of such business and the reasons for conducting such business at the meeting, as well as certain other information as set forth in our Bylaws. If you wish to bring a stockholder proposal or nominate a candidate for director, you are advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. Our current Bylaws may be found on our website at www.demandtec.com in the Investor Relations section.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company s restated certificate of incorporation (the Charter) and Bylaws provide for a classified board of directors. There are three classes of directors, with each class of directors serving three-year terms that end in successive years. DemandTec currently has authorized seven directors. The class of directors standing for election at the Annual Meeting currently consists of three directors. Three directors will be elected at the Annual Meeting to serve until the 2013 annual meeting of stockholders of DemandTec or until their successors are duly elected and qualified. The directors being nominated for election to the Board of Directors (each, a Nominee), their ages as of June 15, 2010, their positions and offices held with DemandTec and certain biographical information are set forth below.

The proxy holders intend to vote all proxies received by them in the accompanying form **FOR** the Nominees listed below unless otherwise instructed. In the event that any Nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who may be designated by the current Board of Directors to fill the vacancy. As of the date of this Proxy Statement, the Board of Directors is not aware that any Nominee is unable or will decline to serve as a director. The three Nominees receiving the highest number of affirmative votes of the shares entitled to vote at the Annual Meeting will be elected directors of DemandTec. Abstentions and broker non-votes will not be counted toward an individual s total. Proxies cannot be voted for more than three individuals.

Information Regarding the Nominees

Name	**Age**	**Positions and Offices Held with the Company**
Ronald E.F. Codd	54	Director
Daniel R. Fishback	49	Director, President, Chief Executive Officer
Charles J. Robel	61	Director

Ronald E.F. Codd has been a member of our Board of Directors since March 2007. Mr. Codd has been an independent business consultant since April 2002. From January 1999 to April 2002, Mr. Codd served as President, Chief Executive Officer and a director of Momentum Business Applications, Inc., an enterprise software company. From September 1991 to December 1998, Mr. Codd served as Senior Vice President of Finance and Administration and Chief Financial Officer of PeopleSoft, Inc. We believe Mr. Codd s experience at Momentum and at PeopleSoft enables him to bring substantial financial and accounting expertise and significant experience in the high-technology industry to the Board. In addition, Mr. Codd has been on the boards of directors of numerous public and private companies, enabling him to provide valuable insights regarding management and operations to our Board. Mr. Codd holds a B.S. in Accounting from the University of California at Berkeley and an M.M. from the Kellogg Graduate School of Management at Northwestern University. Mr. Codd currently serves on the boards of directors of three privately held companies. In the past five years, Mr. Codd has also served on the boards of directors of Adept Technology, Inc., Agile Software Corporation, Data Domain, Inc. and Interwoven, Inc.

Daniel R. Fishback has been a member of our Board of Directors and has served as our President and Chief Executive Officer since June 2001. From January 2000 to March 2001, Mr. Fishback served as Vice President of Channels for

Ariba, Inc., a provider of solutions to help companies manage their corporate spending. Mr. Fishback s experience also includes senior executive positions at Trading Dynamics, Inc. (prior to its acquisition by Ariba in January 2000) and Hyperion Solutions Corporation. We believe it is appropriate and desirable for our Chief Executive Officer to serve on our Board. Additionally, we believe Mr. Fishback s leadership skills, developed as an executive of several companies in the software industry, provide our Board with useful insights with respect to management and operations. Mr. Fishback holds a B.A. in Business Administration from the University of Minnesota. In the past five years, Mr. Fishback has served on the board of directors of CorVu Corporation.

Charles J. Robel has been a member of our Board of Directors since September 2006. Mr. Robel has served as Chairman of the board of directors of McAfee, Inc. since October 2006. Mr. Robel has been a private investor since December 2005. From June 2000 to December 2005, Mr. Robel was a Managing Member and Chief of Operations for Hummer Winblad Venture Partners, a venture capital firm. From 1995 to 2000, Mr. Robel led the High

Technology Transaction Services Group of PricewaterhouseCoopers LLP in Silicon Valley and, from 1985 to 1995, Mr. Robel served as the partner in charge of the Software Industry Group at PricewaterhouseCoopers. We believe Mr. Robel s extensive accounting and financial experience and significant technology knowledge from his experiences at Hummer Winblad Venture Partners and PricewaterhouseCoopers enable him to bring valuable insights to the Board. Additionally, Mr. Robel s service on the boards of directors of other public companies gives him a strong understanding of his role as a member of our Board and enables him to provide essential strategic and corporate governance leadership to the Board. Mr. Robel holds a B.S. in Accounting from Arizona State University. Mr. Robel currently serves as the Lead Director of Informatica Corp., the Chairman of the board of directors of McAfee, Inc. and as a member of the boards of directors of Autodesk, Inc. and several private companies. In the past five years, Mr. Robel has also served on the boards of directors Adaptec, Inc. and Borland Software Corporation.

The Board Of Directors Recommends A Vote FOR Each Named Nominee.

Information Regarding Other Directors Continuing in Office

Set forth below is information regarding each of the continuing directors of DemandTec, including his or her age as of June 15, 2010, the period during which he or she has served as a director, and certain information as to principal occupations and directorships held by him or her in corporations whose shares are publicly registered.

Continuing Directors Term Ending in 2011

Ronald R. Baker, age 66, has been a member of our Board of Directors since December 2007. Mr. Baker has been an independent business consultant since January 2003. From January 1997 to December 2002, Mr. Baker served as Senior Vice President of Logistics for Nestlé USA. Prior to that time, from 1980 to January 1997, Mr. Baker held numerous other positions with Nestlé, including most recently as Chief Financial Officer of Nestlé UK from 1993 to 1997 and as Information Technology Director of Nestlé UK from 1991 to 1993. In addition, Mr. Baker has held various senior management positions in the electrical equipment manufacturing industry. We believe Mr. Baker s extended tenure with Nestlé, as well as his significant information technology responsibilities both during and prior to his employment with Nestlé, enables him to bring extensive management and technology experience, as well as specialized consumer products industry expertise to our Board. Mr. Baker holds a B.S. in Economics from Marquette University. Mr. Baker currently serves on the boards of directors of two private entities.

Linda Fayne Levinson, age 68, has been a member of our Board of Directors since June 2005. She is also the Non-Executive Chair of Connexus Corporation (formerly Vendare Media Corporation), an online media and marketing company, where she served as both Chair and Interim Chief Executive Officer from February 2006 through July 2006. From 1997 to December 2004, Ms. Levinson was a partner at GRP Partners, a venture capital fund investing in start-up and early-stage retail and electronic commerce companies. From 1994 to 1997, Ms. Levinson was President of Fayne Levinson Associates, an independent consulting firm. Ms. Levinson has also served as an executive with Creative Artists Agency Inc., as a partner in the merchant banking operations of Alfred Checchi Associates, Inc., as a Senior Vice President of American Express and as a Partner at McKinsey & Co. Ms. Levinson brings substantial knowledge of executive compensation matters and significant public company experience to our Board. Additionally, we believe Ms. Levinson s strategic experience as a partner at McKinsey & Co., her investment experience at GRP Partners and her leadership and management experience as an executive at Connexus and American Express each enable her to bring valuable perspectives to our Board. Ms. Levinson holds an A.B. in Russian Studies from Barnard College, an M.A. in Russian Literature from Harvard University and an M.B.A. from the NYU Stern School of Business. Ms. Levinson currently serves as the Non-Executive Chair of the board of directors Connexus Corporation and as a member of the boards of directors of Ingram Micro Inc., Jacobs Engineering Group, Inc., NCR Corporation and Western Union, Inc.

Continuing Directors   Term Ending in 2012

Victor L. Lund, age 62, has been a member of our Board of Directors since April 2005, and has been Chair of our Board of Directors since December 2006. From May 2002 to December 2004, Mr. Lund served as Chair of the board of directors of Mariner Health Care, Inc., a long-term health care services company. From June 1999 to June

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2002, Mr. Lund served as Vice Chairman of Albertson s, Inc., a food and drug retailer. From 1992 until its acquisition by Albertson s in June 1999, Mr. Lund served as Chief Executive Officer of American Stores Company. Mr. Lund was also President of American Stores Company from 1992 to 1995 and Chair of the board of directors of American Stores Company from 1995 until June 1999. Prior to joining American Stores Company in 1977, Mr. Lund was a practicing certified public accountant. We believe Mr. Lund provides our Board with deep retail industry expertise as a former executive in that industry. Additionally, Mr. Lund s managerial expertise and broad public company board experience provide valuable insights to the Board with respect to management, leadership and corporate governance. Mr. Lund holds a B.A. in Accounting and an M.B.A. from the University of Utah. Mr. Lund currently serves as a member of the boards of directors of Del Monte Foods Company, Service Corporation International, Teradata Corporation and several private companies. In the past five years, Mr. Lund has also served on the boards of directors Delta Air Lines, Inc., Borders Group Inc., NCR Corporation and Mariner Health Care Inc.

Joshua W.R. Pickus, age 49, has been a member of our Board of Directors since March 2007. Mr. Pickus has served as President and Chief Executive Officer of Support.com, a consumer technology services and software company, since April 2006. Prior to that time, Mr. Pickus was Senior Vice President and General Manager of the Clarity Division at Computer Associates, Inc., an IT management software company, from August 2005 until April 2006. From November 2002 until August 2005, Mr. Pickus served as President and Chief Executive Officer of Niku Corporation (acquired by Computer Associates), a software company, and as the Chair of the board of directors of Niku from February 2003 until August 2005. From February 2001 to November 2002, Mr. Pickus served as Chief Financial Officer of Niku and, from November 1999 to January 2001, Mr. Pickus served as President of Vertical Markets for Niku. Prior to joining Niku, Mr. Pickus was a partner in the private equity group at Bowman Capital Management, a technology investment firm, and a partner at Venture Law Group, a Silicon Valley law firm. We believe Mr. Pickus, as CEO of Support.com, a public company, brings valuable operational and management experience to our Board. Additionally, he provides a unique perspective on corporate governance and other matters through his training as an attorney, his experience as CFO of Niku and his investment expertise as a partner at Bowman Capital Management. Mr. Pickus holds an A.B. in Public and International Affairs from Princeton University and a J.D. from the University of Chicago Law School. Mr. Pickus currently serves as a member of the board of directors of Support.com, Inc. In the past five years, Mr. Pickus also served on the board of directors of Child Family Health International.

CORPORATE GOVERNANCE

Independence of the Board of Directors

The Board of Directors is currently composed of seven members. Ms. Levinson and Messrs. Baker, Codd, Lund, Pickus and Robel qualify as independent directors in accordance with the published listing requirements of the Nasdaq Stock Market, or Nasdaq. The Nasdaq independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his or her family members has engaged in various types of business dealings with us. In addition, as further required by the Nasdaq rules, the Board of Directors has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the directors reviewed and discussed information provided by the directors and us with regard to each director s business and personal activities as they may relate to us and our management. The directors hold office until their successors have been duly elected and qualified or their earlier death, resignation or removal.

Board Leadership Structure

We currently have separate individuals serving as Chairman of our Board of Directors and our principal executive officer. Mr. Lund has served as Chairman of our Board of Directors since December 2006 and Mr. Fishback has served as our President and Chief Executive Officer since June 2001. Although our Corporate Governance Guidelines do not include a policy on whether the positions of Chairman and Chief Executive Officer should be separate, the Board believes the separation of these positions has served our company well and intends to maintain this separation where appropriate and practicable.

Risk Oversight Management

Risk is inherent with every business and we face a number of risks, including strategic, financial, operational, legal/compliance and reputational risks. Our management is responsible for the day-to-day management of the risks that we face. Our Board of Directors as a whole has responsibility for the oversight of enterprise risk management, with the oversight of certain risk areas delegated to board committees. For instance, our Compensation Committee is responsible for assessing risks associated with our compensation programs, and our Audit Committee is responsible for overseeing management of certain financial and regulatory risk areas. The Board s oversight role is supported by management reporting processes that are designed to provide the Board and committees visibility into the identification, assessment, and management of critical risks.

Information Regarding the Board of Directors and its Committees

Our independent directors meet in executive sessions at which only independent directors are present after regularly scheduled Board of Directors meetings. The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating/Corporate Governance Committee. The following table provides membership information for each of the Board committees during the fiscal year ended February 28, 2010:

Name	Audit	Compensation	Nominating/Corporate Governance
Ronald R. Baker	X	X	
Ronald E.F. Codd	X		
Daniel R. Fishback			
Linda Fayne Levinson		X*	
Victor L. Lund		X	X*
Joshua W.R. Pickus			X
Charles J. Robel	X*		

* Denotes committee chairperson

Below is a description of each committee of the Board of Directors. The Board of Directors has determined that each member of each of the Audit, Compensation and Nominating/Corporate Governance Committees meets the applicable rules and regulations regarding independence and that each such member is free of any relationship that would interfere with his or her individual exercise of independent judgment with regard to DemandTec. Each committee of the Board of Directors has a written charter approved by the Board of Directors. Copies of each charter are posted on our website at www.demandtec.com in the Investor Relations section.

Audit Committee

The Audit Committee of our Board of Directors oversees our accounting practices, system of internal controls, audit processes and financial reporting processes. Among other things, our Audit Committee is responsible for reviewing our disclosure controls and procedures and the adequacy and effectiveness of our internal control over financial reporting. It also discusses the scope and results of the audit with our independent registered public accounting firm, reviews with our management and our independent registered public accounting firm our interim and year-end operating results and, as appropriate, initiates inquiries into aspects of our financial affairs. Our Audit Committee has oversight for our code of business conduct and is responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and matters related to our code of business conduct, and for the confidential, anonymous submission by our employees of concerns regarding these matters. In addition, our Audit Committee has sole and direct responsibility for the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm, including approving services and fee arrangements. Our Audit Committee also is responsible for reviewing and approving all related person transactions in accordance with our related person transactions approval policy.

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The current members of the Audit Committee are Messrs. Baker, Codd and Robel, each of whom is independent for Audit Committee purposes under the rules and regulations of the Securities and Exchange Commission (the SEC) and the listing standards of Nasdaq. Mr. Robel chairs the Audit Committee. The Audit Committee met eight times during the fiscal year ended February 28, 2010.

The Board of Directors has determined that each of Messrs. Baker, Codd and Robel is an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. The designation does not impose on each of Messrs. Baker, Codd and Robel any duties, obligations or liability that are greater than are generally imposed on them as members of the Audit Committee and the Board of Directors.

Compensation Committee

The Compensation Committee of our Board of Directors has primary responsibility for discharging the responsibilities of our Board of Directors relating to executive compensation policies and programs. Specific responsibilities of our Compensation Committee include, among other things, evaluating the performance of our Chief Executive Officer and determining our Chief Executive Officer s compensation. In consultation with our Chief Executive Officer, it also determines the compensation of our other executive officers. In addition, our Compensation Committee administers our equity compensation plans and has the authority to grant equity awards and approve modifications of those awards under our equity compensation plans, subject to the terms and conditions of the equity award policy adopted by our Board of Directors. Our Compensation Committee also reviews and approves various other compensation policies and matters.

The current members of our Compensation Committee are Ms. Levinson and Messrs. Lund and Baker. Ms. Levinson chairs the Compensation Committee. Each of Ms. Levinson and Messrs. Lund and Baker is an independent director under the applicable rules and regulations of Nasdaq, a non-employee director within the meaning of Rule 16b-3 of the Exchange Act, and an outside director, as that term is defined under Section 162(m) of the Internal Revenue Code of 1986. The Compensation Committee met 14 times during the fiscal year ended February 28, 2010.

Our Chief Executive Officer does not participate in the determination of his own compensation or the compensation of directors. However, he makes recommendations to the Compensation Committee regarding the amount and form of the compensation of the other executive officers and key employees, and he often participates in the Compensation Committee s deliberations about their compensation. No other executive officers participate in the determination of the amount or form of the compensation of executive officers or directors.

The Compensation Committee has retained Frederic W. Cook & Co. as its independent compensation consultant. The consultant provides the committee with data about the compensation paid by a peer group of companies and other companies that may compete with us for executives, and develops recommendations for structuring our compensation programs. The consultant is engaged solely by the Compensation Committee and does not provide any services directly to the Company or its management.

The Compensation Committee has assessed the compensation policies and practices for our employees and concluded that they do not create risks that are reasonably likely to have a material adverse effect on the company.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors currently consists of Ms. Levinson and Messrs. Baker and Lund. None of these individuals was at any time during the fiscal year ended February 28, 2010, or at any other time, an officer or employee of the Company. None of our executive officers has ever served as a member of the Board of Directors or Compensation Committee of any other entity that has or has had one or more executive officers serving as a member of our Board of Directors or our Compensation Committee.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee of our Board of Directors oversees the nomination of directors, including, among other things, identifying, evaluating and making recommendations regarding nominees to the Board of Directors, and evaluates the performance of the Board of Directors and individual directors. The

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Nominating/Corporate Governance Committee is also responsible for reviewing developments in corporate governance practices, evaluating the adequacy of our corporate governance practices and making recommendations to the Board of Directors concerning corporate governance matters.

The current members of our Nominating/Corporate Governance Committee are Messrs. Lund and Pickus, each of whom is independent under the listing standards of Nasdaq. Mr. Lund chairs the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee met two times during the fiscal year ended February 28, 2010.

The Nominating/Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including having the highest professional and personal ethics and values, broad experience at the policy-making level in business, government, education, technology or public interest, a commitment to enhancing stockholder value, and sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. The Nominating/Corporate Governance Committee also considers such other guidelines and various and relevant career experience, relevant skills, such as an understanding of the retail and consumer products industries, financial expertise, diversity and local and community ties. While we do not maintain a formal policy requiring the consideration of diversity in identifying nominees for director, diversity is, as noted above, one of the factors our Nominating/Corporate Governance Committee considers in conducting its assessment of director nominees. Candidates for director nominees are reviewed in the context of the current make-up of the Board of Directors. The Nominating/Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Nominating/Corporate Governance Committee meets to discuss and consider such candidates qualifications and then selects a nominee for recommendation to the Board of Directors.

The Nominating/Corporate Governance Committee will consider director candidates recommended by stockholders and evaluate them using the same criteria as candidates identified by the Board of Directors or the Nominating/Corporate Governance Committee for consideration. If a stockholder of the Company wishes to recommend a director candidate for consideration by the Nominating/Corporate Governance Committee, pursuant to the Company s Corporate Governance Guidelines, the stockholder recommendation should be delivered to the General Counsel of the Company at the principal executive offices of the Company, and should include:

To the extent reasonably available, information relating to such director candidate that would be required to be disclosed in a proxy statement pursuant to Regulation 14A under the Exchange Act, in which such individual is a nominee for election to the Board of Directors;

The director candidate s written consent to (A) if selected, be named in the Company s proxy statement and proxy and (B) if elected, serve on the Board of Directors; and

Any other information that such stockholder believes is relevant in considering the director candidate.

Meetings of the Board of Directors

The Board of Directors met five times during the fiscal year ended February 28, 2010. During the fiscal year ended February 28, 2010, each director then in office attended 75% or more of the aggregate of the meetings of the Board of Directors and of the committees on which he or she served, held during the period for which he or she was a director or committee member.

Code of Business Conduct

The Board of Directors has adopted a code of business conduct. The code of business conduct applies to all of our employees, officers and directors. The full text of our code of business conduct is posted on our website at www.demandtec.com under the Investor Relations section. We intend to disclose future amendments to certain provisions of our code of business conduct, or waivers of these provisions, at the same location on our website identified above and also in public filings.

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Stockholder Communications With the Board of Directors

Stockholders may communicate with our Board of Directors, either generally or with a particular director, by writing to the following address:

The Board of Directors
c/o General Counsel
DemandTec, Inc.
One Franklin Parkway, Building 910
San Mateo, CA 94403

Each such communication should set forth (i) the name and address of such stockholder, as they appear on the Company s books, and if the stock is held by a nominee, the name and address of the beneficial owner of the stock, and (ii) the class and number of shares of the Company s stock that are owned of record by such record holder and beneficially by such beneficial owner.

The person receiving such stockholder communication shall, in consultation with appropriate members of the Board of Directors as necessary, generally screen out communications from stockholders to identify communications that are (i) solicitations for products and services, (ii) matters of a personal nature not relevant for stockholders, or (iii) matters that are of a type that render them improper or irrelevant to the functioning of the Board of Directors and the Company.

Attendance at Annual Meeting of Stockholders by the Board of Directors

We do not have a formal policy regarding attendance by members of the Board of Directors at our annual meeting of stockholders. Directors are encouraged, but not required, to attend the annual meeting of stockholders. All of our directors attended our 2009 Annual Meeting of Stockholders in person.

Compensation of Directors

The following table sets forth the total compensation earned by each person who served as a director during the fiscal year ended February 28, 2010, other than a director who also served as a named executive officer.

Name	**Fees Earned or Paid in Cash(1)**	**Option Awards(2)**	**Total**
Ronald R. Baker(3)	$ 40,000	$ 69,452	$ 109,452
Ronald E.F. Codd(4)	35,000	69,452	104,452
Linda Fayne Levinson(5)	35,000	69,452	104,452
Victor L. Lund(6)	35,000	138,903	173,903
Joshua W.R. Pickus(7)	27,500	69,452	96,952
Charles J. Robel(8)	45,000	69,452	114,452

(1) During fiscal 2010: (i) each of our non-employee directors received a cash retainer of $6,250 per quarter, (ii) Mr. Robel received an additional cash retainer of $5,000 per quarter in connection with his service as chair of

the Audit Committee, (iii) Messrs. Baker and Codd received an additional cash retainer of $2,500 per quarter in connection with their service as members of our Audit Committee, (iv) Ms. Levinson received an additional cash retainer of $2,500 per quarter in connection with her service as chair of the Compensation Committee, (v) Messrs. Baker and Lund received an additional cash retainer of $1,250 per quarter in connection with their service as members of our Compensation Committee, (vi) Mr. Lund received an additional cash retainer of $1,250 per quarter in connection with his service as chair of the Nominating/Corporate Governance Committee, and (vii) Mr. Pickus received an additional cash retainer of $625 per quarter in connection with his service as a member of our Nominating/Corporate Governance Committee.

(2) The amounts in this column represent the aggregate grant date fair value of options granted to the director during fiscal 2010, in accordance with FASB Accounting Standards Codification (ASC) Topic 718, Stock Compensation (formerly, FASB Statement 123R). See Note 1 of the notes to our consolidated financial statements contained in our Annual Report on Form 10-K filed on April 23, 2010 for a discussion of all assumptions we made in determining the compensation expense and the grant date fair value of our equity awards.

(3) On August 5, 2009, Mr. Baker was granted an option to purchase 15,000 shares of our common stock pursuant to our compensation program for non-employee directors described below. As of February 28, 2010, Mr. Baker held outstanding options to purchase an aggregate of 55,625 shares of our common stock.

(4) On August 5, 2009, Mr. Codd was granted an option to purchase 15,000 shares of our common stock pursuant to our compensation program for non-employee directors described below. As of February 28, 2010, Mr. Codd held outstanding options to purchase an aggregate of 120,000 shares of our common stock.

(5) On August 5, 2009, Ms. Levinson was granted an option to purchase 15,000 shares of our common stock pursuant to our compensation program for non-employee directors described below. As of February 28, 2010, Ms. Levinson held outstanding options to purchase an aggregate of 150,000 shares of our common stock.

(6) On August 5, 2009, Mr. Lund was granted an option to purchase 30,000 shares of our common stock pursuant to our compensation program for non-employee directors described below. As of February 28, 2010, Mr. Lund held outstanding options to purchase an aggregate of 187,500 shares of our common stock.

(7) On August 5, 2009, Mr. Pickus was granted an option to purchase 15,000 shares of our common stock pursuant to our compensation program for non-employee directors described below. As of February 28, 2010, Mr. Pickus held outstanding options to purchase an aggregate of 120,000 shares of our common stock.

(8) On August 5, 2009, Mr. Robel was granted an option to purchase 15,000 shares of our common stock pursuant to our compensation program for non-employee directors described below. As of February 28, 2010, Mr. Robel held outstanding options to purchase an aggregate of 120,000 shares of our common stock.

Our Board of Directors has adopted a modified compensation program for non-employee directors effective as of March 1, 2010, pursuant to which our non-employee directors receive the following compensation:

Each non-employee director receives an annual cash retainer of $25,000. In addition, (i) the chair of the Audit Committee of our Board of Directors receives an annual cash retainer of $20,000, and the other members of the Audit Committee receive an annual cash retainer of $10,000, (ii) the chair of the Compensation Committee receives an annual cash retainer of $10,000, and the other members of the Compensation Committee receive an annual cash retainer of $5,000, and (iii) the chair of the Nominating/Corporate Governance Committee receives an annual cash retainer of $5,000, and the other members of the Nominating/Corporate Governance Committee receive an annual cash retainer of $2,500. All retainers are paid quarterly. The amount of cash compensation paid to non-employee directors (including committee chairs and members) will be reviewed annually.

On the date of each annual meeting of our stockholders, each non-employee director (other than a non-employee director whose service with the Board of Directors commenced subsequent to the prior year s annual meeting of stockholders) receives an equity grant. The type of grant and the number of shares is determined by the Board of Directors in consultation with the Compensation Committee and an independent compensation expert. The number of shares granted to the non-executive chair of our Board of Directors is larger than the number of shares granted to other non-employee directors. For 2009, the grant was 15,000 options, with 15,000 additional options for the non-executive chair of the Board of Directors. The options vest and become exercisable on the date of our 2010 annual meeting of stockholders but will vest and become exercisable in full if DemandTec is subject to a change in control. The options have a seven-year term but will expire 12 months after the director s service terminates for any reason. For 2010, the grant will be restricted stock units having a fair market value equal to $80,000, with an additional grant of restricted stock units having a fair market value of $80,000 for the non-executive chair of the Board of Directors. These restricted stock units will vest on the earlier of the one year anniversary of the date of grant or the date of the next annual meeting of stockholders, but in any event will vest in full if DemandTec is subject to a change in control.

A new non-employee director will receive restricted stock units having a fair market value of $160,000 upon joining our Board of Directors. The units will vest in equal annual installments over a four-year period, but will vest in full if DemandTec is subject to a change in control.

For the purpose of determining the number of units to be granted in connection with the above-described non-employee director restricted stock units, the fair market value of each unit will be deemed to be equal to the closing price of our Common Stock on the trading day immediately preceding the date of grant.

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending February 28, 2011 and has further directed that management submit the appointment of the independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements since DemandTec s fiscal year 2001. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our Bylaws nor other governing documents or law require stockholder ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm. However, the Board of Directors is submitting the appointment of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain that firm. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the appointment of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

Independent Registered Public Accounting Firm s Fees

The following table sets forth the aggregate fees we paid to Ernst & Young LLP, our independent registered public accounting firm, for professional services provided during our fiscal years ended February 28, 2009 and February 28, 2010.

	Fiscal 2010	Fiscal 2009
	(In thousands)	
Audit fees(1)	$ 849	$ 1,161
Audit-related fees(2)	27	7
Tax fees(3)	170	248
All other fees	2	2
Total fees	$ 1,048	$ 1,418

(1) Audit fees consist of fees incurred for professional services rendered for the audit of our annual consolidated financial statements and review of the quarterly consolidated financial statements that are normally provided by

Ernst & Young LLP in connection with regulatory filings or engagements. The amount for fiscal 2010 includes fees for services rendered related to the financial statements of Connect3 Systems, Inc. (Connect3), which we acquired in February 2009.

(2) Audit-related fees relate to assurance and related services that are reasonably related to the audit or review of our financial statements. The amount for fiscal 2010 includes fees for services associated with the Connect3 acquisition.

(3) Tax fees consist of fees for tax planning and tax compliance services.

Pre-Approval Policies and Procedures

The Audit Committee s policy is to pre-approve all audit and permissible non-audit services rendered by Ernst & Young LLP, our independent registered public accounting firm. The Audit Committee can pre-approve specified services in defined categories of audit services, audit-related services and tax services up to specified amounts, as part of the Audit Committee s approval of the scope of the engagement of Ernst & Young LLP or on an individual case-by-case basis before Ernst & Young LLP is engaged to provide a service. All audit, audit-related and tax services were pre-approved by the Audit Committee. The Audit Committee has determined that, subject to reasonable limits, the rendering of the services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant s independence.

The Board Of Directors Recommends A Vote FOR The Ratification Of The Appointment of Ernst & Young LLP As DemandTec s Independent Registered Public Accounting Firm For Its Fiscal Year Ending February 28, 2011.

Audit Committee Report

The Audit Committee of the Board of Directors currently consists of the three non-employee directors named below. The Board of Directors annually reviews the Nasdaq listing standards definition of independence for audit committee members and has determined that each member of the Audit Committee meets that standard. The Board of Directors has also determined that Messrs. Baker, Codd and Robel are each an audit committee financial expert as described in applicable rules and regulations of the SEC.

The principal purpose of the Audit Committee is to assist the Board of Directors in its general oversight of the Company s accounting practices, system of internal controls, audit processes and financial reporting processes. The Audit Committee is responsible for appointing and retaining our independent auditor and approving the audit and non-audit services to be provided by the independent auditor. The Audit Committee s function is more fully described in the Audit Committee Charter, which the Board of Directors has adopted and which the Audit Committee reviews on an annual basis.

The Company s management is responsible for preparing our financial statements and ensuring they are complete and accurate and prepared in accordance with generally accepted accounting principles. Ernst & Young LLP, our independent registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles.

The Audit Committee has reviewed and discussed with our management the audited consolidated financial statements of the Company included in our Annual Report on Form 10-K for the fiscal year ended February 28, 2010 (10-K).

The Audit Committee has also reviewed and discussed with Ernst & Young LLP the audited consolidated financial statements in the 10-K and the audit results. In addition, the Audit Committee discussed with Ernst & Young LLP those matters required to be discussed by the Statement on Auditing Standards No. 61, as amended. Additionally, Ernst & Young LLP provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountant s communications with the Audit Committee concerning independence. The Audit Committee also discussed with Ernst & Young LLP their independence from the Company. Upon completing these activities, the Audit Committee concluded that Ernst & Young LLP is independent from the Company and its management.

Based upon the review and discussions described above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited consolidated financial statements be included in the Company s 10-K and filed with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors:

Charles J. Robel
Ronald R. Baker
Ronald E.F. Codd

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EXECUTIVE OFFICERS

The names of the executive officers of DemandTec who are not also directors of DemandTec and certain information about each of them as of June 15, 2010 are set forth below:

Mark A. Culhane, age 50, has served as our Executive Vice President and Chief Financial Officer since October 2001. From September 1998 to August 2001, Mr. Culhane served as Chief Financial Officer of iManage, Inc., a provider of e-business content and collaboration software. From July 1992 to December 1997, Mr. Culhane served as Chief Financial Officer for SciClone Pharmaceuticals, Inc., an international biopharmaceutical company. From July 1982 to July 1992, Mr. Culhane served as an accountant and senior manager at PricewaterhouseCoopers LLP, where he managed numerous client accounts across a variety of high technology industries. In June 2010, Mr. Culhane was elected to the board of directors of Callidus Software, Inc. Mr. Culhane holds a B.A. in Business Administration from the University of South Dakota.

William R. Phelps, age 48, has served as our Executive Vice President and Chief Operating Officer since March 2009, and served as the Company s Executive Vice President and Chief Customer Officer from January 2008 until March 2009, and its Senior Vice President of Professional Services from June 2007 until January 2008. From September 2003 to June 2007, Mr. Phelps served as Vice President, Professional Services of Ketera Technologies, Inc., a provider of on-demand spend management solutions. From November 2002 to May 2003, Mr. Phelps served as Senior Vice President of Professional Services of Selectica, Inc., a provider of configuration and contract management solutions. From February 2002 to August 2002, Mr. Phelps served as Senior Vice President of Professional Services for Silicon Energy Corp., a provider of energy technology software. Mr. Phelps also served as Vice President, Professional Services of Kana Software, Inc., and held various positions with Booz Allen Hamilton Inc. and in the consulting group at Arthur Andersen. Mr. Phelps holds a B.S. in Industrial Engineering from Stanford University.

Michael A. Bromme, age 44, has served as our Senior Vice President of Worldwide Sales since December 2009, and served as the Company s Senior Vice President of Worldwide Retail Sales from September 2008 until December 2009, its Vice President, Retail Sales Americas from March 2005 until September 2008 and its Vice President of North American Sales from September 2004 until March 2005. From January 2004 until August 2004, Mr. Bromme served as Vice President of Sales, Americas for IDeaS, a provider of revenue optimization solutions to the hospitality industry. From January 2003 until January 2004, Mr. Bromme served as Vice President of Sales for Spotlight Solutions, a provider of price optimization solutions to the retail industry. From January 2001 until January 2003, Mr. Bromme served as Vice President of Sales, North America for Retek Inc., a provider of software solutions to the retail industry. Mr. Bromme also held various positions at MicroStrategy, Inc. and Tandem Computers. Mr. Bromme holds a B.S. in Business Administration from Union College.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information known to us regarding beneficial ownership of our Common Stock as of June 15, 2010 by:

- each person known by us to be the beneficial owner of more than 5% of any class of our voting securities;
- our named executive officers;
- each of our directors; and
- all current executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and generally includes voting power and/or investment power with respect to the securities held. Shares of common stock subject to options currently exercisable or exercisable within 60 days of June 15, 2010 are deemed outstanding and beneficially owned by the person holding such options for purposes of computing the number of shares and percentage beneficially owned by such person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to this table and subject to applicable community property laws, to our knowledge the persons or entities named have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Percentage beneficially owned is based on 30,053,669 shares of common stock outstanding on June 15, 2010 plus shares of common stock otherwise deemed outstanding under applicable SEC rules. The table below is based upon information supplied by officers, directors and principal stockholders and Schedules 13G filed with the SEC.

Unless otherwise indicated, the principal address of each of the stockholders below is c/o DemandTec, Inc., One Franklin Parkway, Building 910, San Mateo, California, 94403.

	Beneficial Ownership	
Name and Address of Beneficial Owner	**Number**	**Percent**
5% Stockholders		
Janus Capital(1) 151 Detroit Street Denver, CO 80206	4,921,224	16.4%
BlackRock, Inc.(2) 40 East 52nd Street New York, NY 10022	3,388,555	11.3
FMR, LLC(3) 82 Devonshire Street Boston, MA 02109	2,937,807	9.8
Cargill, Incorporated(4) 15407 McGinty Road West Wayzata, MN 55391	2,793,283	9.3
T. Rowe Price Associates, Inc.(5)	2,238,532	7.4

100 E. Pratt Street		
Baltimore, MD 21202		
Directors and Named Executive Officers		
Daniel R. Fishback(6)	1,937,186	6.1
Mark A. Culhane(7)	821,249	2.7
William R. Phelps(8)	298,207	1.0
Michael A. Bromme(9)	141,083	*
Ronald R. Baker(10)	48,541	*
Ronald E.F. Codd(11)	106,250	*
Linda Fayne Levinson(12)	150,000	*
Victor L. Lund(13)	187,500	*
Joshua W.R. Pickus(14)	106,250	*
Charles J. Robel(15)	116,562	*
All current directors and executive officers as a group (10 persons)(16)	3,912,828	11.7

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* Less than 1% of the outstanding shares of common stock.

(1) Based solely on a Schedule 13G filed with the SEC on June 11, 2010 by Janus Capital Management LLC. According to the Schedule 13G, Janus Capital Management LLC is the beneficial owner of 3,362,654 shares of common stock and JCF US All Cap Growth Fund is the beneficial owner of 1,558,570 shares of common stock.

(2) Based solely on an Amendment to Schedule 13G filed with the SEC on January 28, 2010 by BlackRock, Inc.

(3) Based solely on an Amendment to Schedule 13G filed with the SEC on April 12, 2010 by FMR LLC, on behalf of itself, Fidelity Management & Research Company and Pyramis Global Advisors Trust Company. According to the Schedule 13G, Fidelity Management & Research Company is the beneficial owner of 953,741 shares of common stock and Pyramis Global Advisors Trust Company is the beneficial owner of 1,984,066 shares of common stock. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity Management & Research Company and Pyramis Global Advisors Trust Company each has sole power to dispose of the 953,741 shares owned by Fidelity Management & Research Company and the 1,984,066 shares owned by Pyramis Global Advisors Trust Company.

(4) Based solely on an Amendment to Schedule 13G filed with the SEC on February 16, 2010 by Cargill, Inc.

(5) Based on information provided by T. Rowe Price Associates, Inc. as to the number of shares it held as of June 10, 2010. T. Rowe Price Associates, Inc. advised us that these securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(6) Represents 18 shares held by the Annie Fishback Separate Share Irrevocable Trust, 18 shares held by the Megan Fishback Separate Share Irrevocable Trust, 316,089 shares held by Daniel R. Fishback Trustee and Lady Bess Fishback Trustee U/A Dated March 5, 2001, 38,250 shares of common stock issuable upon the vesting and settlement of performance stock units within 60 days of June 15, 2010, and 1,582,811 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(7) Represents 237,300 shares held by the Culhane Family Revocable Trust dtd 12/16/99, 9,000 shares held by the Maxwell A.R. Culhane 1999 Irrevocable Trust, 9,000 shares held by the Michael D. Culhane 1999 Irrevocable Trust, 9,000 shares held by the Monica G. Culhane 1999 Irrevocable Trust, 15,200 shares held by USB Piper Jaffray as custodian FBO Mark Culhane IRA, 14,875 shares of common stock issuable upon vesting and settlement of performance stock units within 60 days of June 15, 2010, and 526,874 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(8) Represents 14,875 shares of common stock issuable upon vesting and settlement of performance stock units within 60 days of June 15, 2010 and 283,332 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(9) Represents 2,125 shares of common stock issuable upon vesting and settlement of performance stock units within 60 days of June 15, 2010 and 138,958 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(10) Represents 48,541 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(11) Represents 106,250 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(12) Represents 150,000 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(13) Represents 187,500 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(14) Represents 106,250 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(15) Represents 116,562 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

(16) Includes 70,125 shares of common stock issuable upon vesting and settlement of performance stock units within 60 days of June 15, 2010 and 3,247,078 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 15, 2010.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The members of the Board of Directors, the executive officers of the Company and persons who hold more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Exchange Act, which require them to file reports with respect to their ownership of our common stock and their transactions in our common stock. Based upon (i) the copies of Section 16(a) reports that we received from such persons for their fiscal year 2010 transactions in the common stock and their common stock holdings and (ii) the written representations received from one or more of such persons that no annual Form 5 reports were required to be filed by them for fiscal year 2010, we believe that all reporting requirements under Section 16(a) were met in a timely manner by the persons who were executive officers, members of the Board of Directors or greater than 10% stockholders during such fiscal year.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

The Compensation Committee of our Board of Directors is comprised of three non-employee members of the Board of Directors. The Compensation Committee s basic responsibility is to review the performance of DemandTec s management in achieving corporate goals and objectives and to ensure that DemandTec management is compensated effectively and in a manner consistent with DemandTec s strategy and competitive practices. Toward that end, the Compensation Committee oversees, reviews and administers all of DemandTec s compensation, equity and employee benefit plans and programs applicable to executive officers.

Introduction

We operate in the intensely competitive technology industry, addressing the needs of retailers and consumer products companies operating on a global scale. Our business, like the businesses of our customers, is characterized by evolving technology, rapidly changing industry trends and customer needs, and aggressive competitors. In this environment, our success depends on assembling and maintaining a leadership team with the integrity, skills and dedication needed to manage a dynamic organization and the vision to anticipate and respond to future market developments. We use our executive compensation program to help us achieve these objectives. Our program has been designed to enable us to recruit and retain a group of executives who have the collective and individual abilities necessary to run our business to meet these challenges, and to focus those executives on achieving financial results that enhance the value of our stockholders investment. Importantly, we have structured the program to be flexible to match the rapidly changing needs of our business.

Our officers discussed in this Compensation Discussion and Analysis section are Mr. Fishback, our President and Chief Executive Officer, Mr. Culhane, our Executive Vice President and Chief Financial Officer, Mr. Phelps, our

Executive Vice President and Chief Operating Officer, and Mr. Bromme, our Senior Vice President of Worldwide Sales, who together are referred to below as the named executive officers. Mr. Bromme became an executive officer of DemandTec in December 2009 in connection with his promotion to Senior Vice President of Worldwide Sales.

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Fiscal 2010 Compensation Overview

Fiscal year 2010 was a year of both opportunities and significant challenges for DemandTec, particularly in light of the adverse global economic climate and its impact on DemandTec s retail and consumer products customers. Entering the year in a recessionary environment, we elected to forego any base salary or target cash bonus increases for our named executive officers. In addition, our executive variable compensation outcomes (both cash and performance-based equity) reflected the economic environment in which we operated. Our financial results in relation to our performance goals (bookings and non-GAAP operating margin in the case of variable cash compensation, and revenue and non-GAAP free cash flow in the case of performance-based equity compensation) resulted in 63.3% and 42.5%, respectively, of our target variable cash and performance-based equity compensation for our named executive officers being earned. The Compensation Committee decided to exercise modest positive discretion regarding the annual variable cash compensation in recognition of the skill with which the executive team mitigated, to the extent possible, the impact of the economic downturn. Our named executive officers were paid variable cash compensation at 80% of target rather than 63.3%. Performance-based equity compensation was paid out at 42.5%, with no discretion applied.

Compensation Philosophy

Our goal is to attract, motivate and retain key leadership. We believe that, to be successful, we need to be competitive not only in our software offerings, but also in the quality of our executives. This, in turn, requires that we pay our executives competitively. We have set our total executive compensation at levels that, we believe, have enabled us to hire and retain individuals in a competitive environment and to reward both individual performance and contribution to our overall business goals. The hallmark of our compensation philosophy is performance-based compensation. The Compensation Committee has engaged an independent compensation consultant, Frederic W. Cook & Co., to assist it in establishing a comprehensive set of programs and guidelines for our executive compensation.

Our executive compensation program is guided by the following four principles:

1. *We strive to pay at competitive market levels.* When setting targeted total compensation for our executive officers, we seek to ensure that both the cash and equity components of their packages are competitive with the market in which we compete for talent. This supports our objective of attracting and retaining high-quality executives and ensures that the overall economic cost of compensation is reasonable and, therefore, sustainable in relation to our peers. We have set the base salary and annual bonus components of pay at competitive levels, using survey and proxy statement data and market data acquired during recruiting. We also have considered relative cash compensation levels within the executive team.

2. *We design our annual and long-term incentive compensation to align the interests of our executives with those of our stockholders.* We use our base salary to ensure that our executives have a stable source of income, and use our annual bonus plan and long-term equity incentives to focus our executive team on those financial goals that we believe are most closely related to stockholder value. Since fiscal 2008, the equity that we have granted to our named executive officers and other key employees have consisted primarily of stock units, generally alternating on an annual basis between performance-based stock units and time-based restricted stock units. We alternate these two types of equity to achieve the dual goals of performance focus and retention.

3. *We reward superior performance.* Although we provide our executive officers with a competitive base salary, we also have historically paid an annual cash bonus based on the achievement of specific financial and operational goals. Starting in fiscal 2008, we made the bonus opportunity a larger part of target cash compensation for our executive officers. In addition, we regularly grant our named executive officers long-term performance share units that will vest only if certain financial targets are achieved and an additional service requirement is satisfied. For fiscal 2011, as

described below, we have replaced all or a portion of the cash bonus opportunity for each of our named executive officers with performance share units that vest based on performance metrics identical to our cash bonus performance metrics.

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4. *We want to retain our best executives.* To encourage high-performing executives to stay with us, key program elements are structured to enable them to share in our long-term growth and success. However, our executives must stay with us to vest in their long-term incentive awards. The size of their awards is structured so that they build net worth as we build stockholder value.

We believe that, by implementing these measures, we are able to reinforce our goal of maintaining a results-oriented culture that provides above-target rewards only when performance is also above-target. Thus, we believe that the interests of our executives are directly aligned with those of our stockholders, as the financial success of both is contingent upon performance.

The Compensation Committee evaluates these four principles regularly to ensure that they are consistent with our goals and needs. We believe that the executive compensation program is an important tool for our chief executive officer in managing DemandTec. Accordingly, in the course of structuring the executive compensation program, the committee works closely with Mr. Fishback and our Board of Directors to ensure that all constituencies agree upon how compensation programs need to be integrated with our other business goals. The committee, with the assistance of Mr. Fishback and the committee s independent compensation consultant, works to structure an appropriate program. The committee reviews peer group data and takes into account advice from its compensation consultant regarding compensation levels for all executive officers, and takes into account recommendations from Mr. Fishback regarding compensation levels for executive officers other than himself. For Mr. Fishback s own compensation, the committee works directly with the consultant and our Board of Directors to establish the appropriate level of pay, based on a performance evaluation by the committee that has been discussed with the full Board of Directors. Neither Mr. Fishback nor other members of management make any recommendation on Mr. Fishback s compensation. The committee, after discussions with Mr. Fishback, evaluates the performance of our other executive officers and establishes the performance metrics upon which the executive officers are compensated.

Overall Compensation Levels

Each year, we review the base salaries and annual and long-term incentive opportunities (including equity-based incentive opportunities) offered to our executive officers to ensure that each component of executive compensation is competitive with market practices, supports our executive recruitment and retention objectives, and is internally equitable among executives. In general, we set overall target compensation for each executive at or near market median levels. Actual compensation levels earned will depend largely on actual operating performance and stockholder returns.

As part of this process, the Compensation Committee considers market data and input provided by its compensation consultant. The market data is derived from analysis of both peer companies publicly filed proxy statements and technology industry compensation surveys. We use the data to match our specific executive positions to similar positions at comparable companies, which are discussed below. We also take into consideration market trends to determine how base salary, annual cash incentives and long-term incentive compensation are changing from year to year and how each component relates to the others as a percentage of total compensation. We generally start by setting base salaries at or near the relevant market median and build on that, factoring in subjective factors such as performance and the experience and skills of each executive officer. In other words, we use the market data only to provide context, and the cash compensation decisions also take into account individual experience and internal fairness. We set annual cash incentive target awards as a percentage of base salary. We also evaluate long-term incentive grants in light of market data and individual performance and expertise, as well as each individual s carried-interest equity ownership. Through this process, we believe that we have structured the compensation package for our executive officers to achieve internal and external fairness.

Peer Group and Benchmarking

For fiscal 2010, we benchmarked the various elements of our executive compensation program in order to gauge where we stood versus the market and our competitors. We used several methods to benchmark our executive compensation practices against other companies. First, we used publicly available proxy data, along with data from the Radford Technology Survey, to match the roles of our executive officers to roles in the proxy data and survey.

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The Radford Technology Survey reports on public and private technology companies, and we focused on those companies with sales between $50 million and $200 million. There were 114 companies in this range, and we selected this range because DemandTec s annual revenues fell within this band and we believed it to be the most relevant range for DemandTec s comparison purposes. We then compared the actual base salary, annual cash incentives and long-term incentive compensation for our executive officers to those disclosed in the proxy data and the survey. In addition, we conducted an overall analysis of each element of compensation for our executive officers, which was reviewed for accuracy and appropriateness by the Compensation Committee s consultant. The consultant also conducted an analysis of the executive officers existing vested and unvested equity awards to assist us with establishing a budget for overall long-term incentive awards and assisted the Compensation Committee with setting compensation for the executive officers.

We selected our public peer companies for competitive pay comparisons because they are major labor and/or capital market competitors, are roughly similar to us in revenue and potential market capitalization, and have similar growth or market performance potential. All of our peers are in Global Industry Classification System Software and IT Services industry groups. Many institutional investors use this classification system to find peers for assessing the reasonableness of a company s compensation program. For fiscal 2010, our peer group, selected by the committee with the assistance of Frederic W. Cook & Co., consisted of the following companies:

Actuate

Bottomline Technologies

Callidus Software

Constant Contact

EPIQ Systems

ESpeed

FalconStor Software

Interactive Intelligence

NetScout Systems

OPNET Technologies

Radiant Systems

RightNow Technologies

Renaissance Learning

SourceForge

SumTotal Systems

Ultimate Software Group

Vocus

This peer group is the same as our peer group for fiscal 2009, with the exceptions that (i) Applix, Intervoice and Secure Computing, which had been included in the fiscal 2009 peer group, were excluded for fiscal 2010, as they had each been acquired, and (ii) Constant Contact, RightNow Technologies, Ultimate Software Group and Vocus were each added to the peer group.

We annually review, in consultation with Frederic W. Cook & Co., the companies comprising our primary peer group in order to evaluate whether the list of included companies should be updated based on the factors described above.

Elements of Executive Compensation

We used the following principal elements in our executive compensation program in fiscal 2010:

- cash compensation, consisting of base salary and annual cash bonus; and
- equity awards, consisting of performance stock units, or PSUs.

Base Salary. The base salaries paid to the named executive officers during fiscal 2010 are reported in the Fiscal 2010 Summary Compensation Table below. In light of the economic environment, we did not change the base salaries for our named executive officers for fiscal 2010 as compared to fiscal 2009, and we have further determined that no changes in the base salary amounts of our named executive officers are required for fiscal 2011,

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other than an increase in Mr. Bromme s base salary in connection with his promotion to Senior Vice President of Worldwide Sales. Therefore, their fiscal 2011 base salaries are as follows:

Daniel Fishback	$ 450,000
Mark Culhane	$ 350,000
William Phelps	$ 300,000
Michael Bromme	$ 250,000

Annual Cash Bonus. We believe it is important to provide annual incentives to motivate our executive officers to attain specific short-term performance objectives that, in turn, further our long-term objectives. We intend to set performance goals having a relatively constant level of difficulty from year to year and established the performance objectives in the past five fiscal years with that goal in mind. During those five years, we have achieved between 63% and 111% of the performance objectives set by the Compensation Committee. For fiscal 2010, we established a series of company performance objectives for our executive officers under our Management Cash Incentive Plan (which we adopted in June 2007) based on bookings (50% weighting for Messrs. Fishback, Culhane and Phelps and 75% for Mr. Bromme) and non-GAAP operating margin (50% weighting for Messrs. Fishback, Culhane and Phelps and 25% for Mr. Bromme) to be evaluated in determining the bonus amounts. These metrics are the same metrics that we used in establishing fiscal 2009 variable cash compensation. We selected these metrics and their weightings because we believe they are directly aligned with the interests of our stockholders and because they reflect the factors considered in the day-to-day management of our business. The bonus formula for each of the named executive officers provided for 50% of the target payment upon 70% achievement of the respective company performance goals, increasing to 100% payment upon 100% achievement. The bonus formula for Messrs. Fishback, Culhane and Phelps also provided for payment increasing to 150% of the target payment associated with each performance objective upon 110% achievement of goals for such objective, and (solely with respect to the bookings performance goal) for an additional 6% of the target payment for each additional 1% achievement of such goal beyond 110% (provided that in no event would the actual total bonus exceed 150% of the total target bonus). The bonus formula for Mr. Bromme also provided for payment increasing to 160% of the target payment associated with each performance objective upon 110% achievement of the goals for such objective, and (solely with respect to the bookings performance goal) for an additional 8% of the target payment for each additional 1% achievement of such goal beyond 110%. Reflecting his responsibilities as our senior sales executive, Mr. Bromme s potential bonus associated with overachievement of the bookings performance goal increased at a higher rate than that for the other named executive officers, was more heavily weighted towards bookings performance than towards operating margin performance, and was uncapped. Mr. Bromme was promoted from Senior Vice President of Worldwide Retail Sales to Senior Vice President of Worldwide Sales in December 2009.

We define bookings to mean the aggregate annual contract value of contracts signed during the applicable period. Annual contract value includes the annual value of a contract related to software, services and other related fees. We define non-GAAP operating margin as our operating margin less certain noncash charges that our Compensation Committee does not deem to be an indicator of management s contribution to our performance. Examples of these types of noncash charges include stock-based compensation expense and amortization of certain acquired intangible assets. The Compensation Committee retains full discretionary authority to pay discretionary bonuses in addition to the amounts produced by the formula or to reduce the bonus amounts produced by the formula.