

Microsoft / Activision deal could lead to competition concerns

Microsoft is 1 of 3 large companies, together with Sony and Nintendo, that have led the market for gaming consoles for the past 20 years with limited entries from new rivals. Activision Blizzard has some of the world's best-selling and most recognisable gaming franchises, such as Call of Duty and World of Warcraft. The CMA is concerned that if Microsoft buys Activision Blizzard it could harm rivals, including recent and future entrants into gaming, by refusing them access to Activision Blizzard games or providing access on much worse terms.

The CMA has also received evidence about the potential impact of combining Activision Blizzard with Microsoft's broader ecosystem. Microsoft already has a leading gaming console (Xbox), a leading cloud platform (Azure), and the leading PC operating system (Windows OS), all of which could be important to its success in cloud gaming. The CMA is concerned that Microsoft could leverage Activision Blizzard's games together with Microsoft's strength across console, cloud, and PC operating systems to damage competition in the nascent market for cloud gaming services.

The CMA considers that these concerns warrant an in-depth Phase 2 investigation. Microsoft and Activision Blizzard now have 5 working days to submit proposals to address the CMA's concerns. If suitable proposals are not submitted, the deal will be referred for a Phase 2 investigation.

Phase 2 investigations allow an independent panel of experts to probe in more depth the risks identified at Phase 1.

Sorcha O'Carroll, Senior Director of Mergers at the CMA, said:

Following our Phase 1 investigation, we are concerned that Microsoft could use its control over popular games like Call of Duty and World of Warcraft post-merger to harm rivals, including recent and future rivals in multi-game subscription services and cloud gaming.

If our current concerns are not addressed, we plan to explore this deal in an in-depth Phase 2 investigation to reach a decision that works in the interests of UK gamers and businesses.

At Phase 2, the CMA appoints an independent panel to examine the deal in more depth and evaluate whether it is more likely than not that a substantial lessening of competition will occur as a result of the merger – a higher threshold than Phase 1. It typically builds on the work and evidence from Phase 1 with more third-party engagement via requests for information and use of its statutory powers in gathering internal documents. At Phase 2, the CMA will also carry out further in-depth review of the merging parties' internal

documents which show how they view competition and the market.

For more information, visit the [Microsoft / Activision case page](#).

1. For media enquiries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.
2. Under the Enterprise Act 2002 (the Act) the CMA has a duty to make a reference to Phase 2 if the CMA believes that it is or may be the case that a relevant merger situation has been created, or arrangements are in progress or contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition with any markets or markets in the United Kingdom for goods or services.
3. Microsoft is a global technology company offering a wide range of products and services, with a global turnover of nearly £125 billion last year. Since 2001, it has sold various generations of Xbox gaming consoles. Gamers typically download digital copies of the games they want to play on Xbox from Microsoft's Xbox Store. Microsoft also offers a multi-game subscription service, Xbox Game Pass, where gamers pay a monthly fee to gain access to a library of games.
4. Activision Blizzard is a game developer and publisher with global turnover of £6.3 billion last year. It develops popular gaming content for consoles, PC, and mobile, which includes titles such as Call of Duty, World of Warcraft and Candy Crush.
5. The Phase 1 investigation identified a realistic prospect of SLCs (significant lessening of competition) in the following frames of reference in the UK: gaming consoles; multi-game subscription services; and cloud gaming services.