

MICROSOFT/ACTIVISION BLIZZARD PHASE 2 MERGER INQUIRY

Summary of responses from members of the public to the issues statement

Introduction

1. On 14 October 2022, the Competition and Markets Authority (**CMA**) published an issues statement on its case page concerning the anticipated acquisition by Microsoft Corporation (**Microsoft**) of Activision Blizzard, Inc. (**Activision**) (the **Merger**).
2. We invited responses from the public to the CMA's issues statement with a deadline of 28 October 2022. We received over 2,100 emails during this period.
3. This document provides a high-level summary of the views that we received from the public. It is not an exhaustive summary, and we have not included any material received that was unrelated to our merger investigation.¹ The publication of this summary does not in any way represent an endorsement by the CMA of these views.

Summary of views from members of the public

4. Of the 2,100 emails that we reviewed, around three quarters were broadly in favour of the Merger and around a quarter were broadly against the Merger. No clear view was expressed for or against the merger by a small number of respondents.
5. The following views were expressed in favour of the Merger:
 - (a) Sony and Nintendo are stronger than Microsoft in console gaming, and the Merger will help Microsoft to compete more closely against them;
 - (b) the Merger will not harm rival consoles because Microsoft has made public and private commitments to keep Activision content, including Call of Duty, non-exclusive. The availability of Minecraft on rival consoles shows that Microsoft's commercial strategy is not to make games exclusive;

¹ The CMA received approximately 2,600 emails, but some of these were excluded from our review because they contained abusive content (with no other substantive content), or were blank, unintelligible, stated to be from non-UK consumers, or not in English.

- (c) it is unlikely that Microsoft would make Call of Duty exclusive due to its multiplayer nature. Making Call of Duty exclusive to Xbox would only create a gap in the market that could be filled by a rival cross-platform shooter game;
- (d) Call of Duty has competition from a number of other games including Battlefield (Electronic Arts), Grand Theft Auto (Take Two) and FIFA (Electronic Arts);
- (e) the Merger will push Sony to innovate, such as by improving its subscription service or creating more games to compete with Call of Duty;
- (f) the Merger is a reaction to Sony's business model for PlayStation, which has historically involved securing exclusive content or early access to popular cross-platform gaming franchises, such as Final Fantasy and Silent Hill;
- (g) Microsoft's plans to add Call of Duty to Game Pass are pro-competitive and will lower the price of accessing games for consumers;
- (h) Microsoft would not make Activision's content exclusive to Xbox post-Merger because it would lose significant potential revenue from rival platforms;
- (i) consumers could revert to buying games on a buy-to-play basis if Microsoft were to raise the price of Game Pass post-Merger;
- (j) the Merger will lead to more funding and higher-quality games in the industry;
- (k) the Merger will allow Microsoft to provide Activision with better guidance and leadership, and to encourage it to invest more in games other than Call of Duty;
- (l) the Merger is pro-competitive in the mobile segment because it will create new options for mobile gamers and allow Microsoft to compete against Google and Apple, which are the two dominant mobile platforms;
- (m) the Merger will not create competition concerns in cloud gaming services because there are other potential competitors, such as Netflix; and
- (n) some industry participants have said they are not opposed to the Merger.

6. The following views were expressed against the Merger:

- (a) Microsoft is already dominant in PC operating systems, and this Merger is an attempt to gain a similar position in gaming;
- (b) Microsoft has the resources to create an offering that competes with PlayStation exclusives without acquiring Activision;

- (c) the Merger would lead to consolidation and would set a harmful precedent in the gaming industry of acquiring large publishers rather than encouraging organic growth;
- (d) this would be the largest merger in gaming history, paving the way for a potential string of future acquisitions of publishers such as Take Two, EA, Ubisoft, thereby increasing concentration in the market;
- (e) Microsoft will make Call of Duty exclusive to Xbox, just as it did with Bethesda after it acquired ZeniMax Media;
- (f) Microsoft will have the incentive to make Call of Duty exclusive to Xbox post-Merger. This will adversely affect gamers who cannot afford an additional console and they would therefore switch to Xbox at the launch of the next console generation;
- (g) Microsoft would be able to deteriorate the quality of Call of Duty games on PlayStation post-Merger, which could cause consumers to switch to Xbox;
- (h) Microsoft can capture the multi-game subscription market after the Merger because it can afford to add games to Game Pass at a loss;
- (i) Microsoft is already dominant in cloud gaming, and the Merger could affect the future of new entrants into that space;
- (j) the Merger will raise barriers to entry for smaller studios and independent developers; and
- (k) the Merger will lead to an increase in Microsoft's bargaining power in relation to game publishers.