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Press release

Microsoft – Activision deal could harm UK gamers

A CMA investigation has provisionally concluded that Microsoft’s proposed acquisition of Activision could result in higher prices, fewer choices, or less innovation for UK gamers.

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Image credit: CMA

- In-depth independent investigation provisionally finds deal raises concerns about cloud and console gaming
- Merger could make Microsoft even stronger in cloud gaming, stifling competition in this growing market and harming UK gamers who cannot afford expensive consoles
- Deal could also harm UK gamers by weakening the important rivalry between Xbox and PlayStation gaming consoles

A CMA investigation has provisionally concluded that Microsoft's proposed acquisition of Activision could result in higher prices, fewer choices, or less innovation for UK gamers.

The provisional findings from the Competition and Markets Authority (CMA) follow a wide-ranging investigation conducted over the last five months to understand the market and potential impact of the deal. This has included holding site visits and hearings to hear directly from business leaders at Microsoft and Activision, analysing over 3 million internal documents from the two businesses to understand their views

on the market, commissioning an independent survey of UK gamers, and gathering evidence from a range of other gaming console providers, game publishers, and cloud gaming service providers.

Competition in the supply of cloud gaming services

The CMA provisionally found that being able to offer popular games will be important for cloud gaming providers to attract users as the market continues to grow and develop. The evidence available to the CMA currently indicates that Microsoft would find it commercially beneficial to make Activision's games exclusive to its own cloud gaming service (or only available on other services under materially worse conditions). Microsoft already accounts for an estimated 60-70% of global cloud gaming services and also has other important strengths in cloud gaming from owning Xbox, the leading PC operating system (Windows) and a global cloud computing infrastructure (Azure and Xbox Cloud Gaming).

The CMA provisionally found that buying one of the world's most important game publishers would reinforce this strong position and substantially reduce the competition that Microsoft would otherwise face in the cloud gaming market in the UK. This could alter the future of gaming, potentially harming UK gamers, particularly those who cannot afford or do not want to buy an expensive gaming console or gaming PC.

Competition in the supply of consoles

The CMA provisionally found that a small number of key games, including Call of Duty (CoD), Activision's flagship game, play an important role in driving competition between consoles. The evidence available to the CMA, including data on how Microsoft measures the value of customers in the ordinary course of business, currently indicates that Microsoft would find it commercially beneficial to make Activision's games exclusive to its own consoles (or only available on PlayStation under materially worse conditions). The CMA's provisional findings note that this strategy, of buying gaming studios and making their content exclusive to Microsoft's platforms, has been used by Microsoft following several previous acquisitions of games studios.

The CMA provisionally found that weakening competition by restricting the access that other platforms have to Activision's games could substantially reduce the competition between Xbox and PlayStation in the UK, in turn harming UK gamers.

Xbox and PlayStation compete closely with each other at present and access to the most important content, like CoD, is an important part of that competition. Reducing this competition between Microsoft and Sony could result in all gamers seeing higher prices, reduced range, lower quality, and worse service in gaming consoles over time.

Martin Coleman, chair of the independent panel of experts conducting this Phase 2 investigation, said:

- “ It’s been estimated that there are around 45 million gamers in the UK, and people in the UK spend more on gaming than any other form of entertainment including music, movies, TV, and books. Strong competition between Xbox and PlayStation has defined the console gaming market over the last 20 years. Exciting new developments in cloud gaming are giving gamers even more choice.
- “ Our job is to make sure that UK gamers are not caught in the crossfire of global deals that, over time, could damage competition and result in higher prices, fewer choices, or less innovation. We have provisionally found that this may be the case here.
- “ We have also today sent the companies an explanation of how our concerns might be resolved, inviting their views and any alternative proposals they wish to submit.”

Background to today’s provisional findings

Microsoft entered into a \$68.7 billion deal to buy Activision, one of the most popular video games publishers in the world, in January 2022. The transaction is the largest video game acquisition in history, as well as being the largest acquisition that Microsoft has ever made.

Gaming is the biggest form of entertainment in the UK, with consumers spending more money on gaming than pay TV, video streaming, cinema, music, or books. In 2022, around £5 billion was spent on gaming in the UK. There are thousands of games available on consoles and PCs, but gamers spend much of their time and money on a handful of so-called ‘AAA’ games. Activision owns CoD, which is well established as one of the leading AAA games in the industry.

In September 2022, the CMA launched an in-depth investigation into the deal led by an independent panel of experts. The investigation is being conducted alongside similar probes in the US and the EU, as well as a number of other international jurisdictions.

The CMA welcomes responses from interested parties to its provisional findings by 1 March 2023 and its notice of possible remedies, which sets out potential options for addressing its provisional concerns, by 22 February 2023. These will be considered ahead of the CMA issuing its final report, which is due by 26 April 2023.

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

Notes to editors

1. For media enquiries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.
2. 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.
3. 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.
4. The CMA, through a market research company, survey polled a random sample of 40,000 PlayStation CoD gamers—defined for the purposes of the survey as those who played at least 10 hours or spent at least \$100 on the game between July 2021 and June 2022—to get a sense of how important this game franchise is to them, and what they might do if it became partially or totally exclusive to Xbox after the Merger.

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