

Anticipated acquisition by NortonLifeLock Inc. of Avast plc.

Final report

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The Competition and Markets Authority has excluded from this published version of the final report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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Summary

Overview of our findings

1. The Competition and Markets Authority (**CMA**) has decided that the anticipated acquisition (the **Merger**) by NortonLifeLock inc (**NortonLifeLock**) of Avast plc (**Avast**) may not be expected to result in a substantial lessening of competition in the supply of consumer cyber safety (**CCS**) solutions in the UK.

Background to these findings

Scope of the inquiry

2. The CMA's primary duty is to seek to promote competition, both within and outside the UK, for the benefit of UK consumers.
3. Following an initial 'phase 1' investigation, the Merger was referred for a more in-depth 'phase 2' investigation on 25 March 2022. The investigation considers the following:
 - (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and
 - (b) if so, whether the creation of that relevant merger situation may be expected to result in a substantial lessening of competition (**SLC**) within any market or markets in the United Kingdom (**UK**) for goods or services.
4. In determining the answers to these statutory questions, we have gathered information from a wide variety of sources, using our statutory powers to ensure that we have as complete a picture as possible, within the constraints of the statutory timetable, to understand the implications of this Merger on competition. The evidence we have gathered has been tested rigorously, and the context in which the evidence was produced has been considered when deciding how much weight to give it. We have applied a 'balance of probabilities' standard when assessing the evidence before us.

The Merger parties

5. NortonLifeLock is a global provider of consumer cyber safety (**CCS**) solutions under the Norton, Avira, BullGuard and LifeLock brands across the following three categories: security (software to protect devices against malware,

viruses, etc); privacy (virtual private networks or 'VPNs', etc); identity protection (software to protect users against identity theft, etc).

6. Avast is another global provider of CCS solutions which it supplies under the Avast, AVG, CCleaner and HMA brands and across the same three categories.

The Merger

7. NortonLifeLock, through a wholly owned subsidiary, has agreed to acquire the entire issued and to be issued ordinary share capital of Avast. The Merger was announced on 10 August 2021 and its completion is conditional on clearance by the CMA.
8. The Parties have told us that the transaction rationale is to increase their scale and reach to a wider and geographically diversified global user base, to create a complementary product offering based on their respective strengths and to realise cost synergies.
9. In addition, the Parties told us that the Merged Entity will be better placed than either Party on its own to advance the quality and range of its product offerings. They told us that the synergies created will enable the Merged Entity to deploy more resources on innovation and growth.

Findings

10. Our view is that the Merger constitutes a relevant merger situation, as it would result in NortonLifeLock and Avast ceasing to be distinct enterprises and because our share of supply test has been met.

Market outcome if the Merger did not take place

11. In order to determine the impact that the Merger may have on competition, we have considered what would have happened had the Merger not taken place: this is the counterfactual.
12. For an anticipated merger such as this, we generally adopt the prevailing conditions of competition as the counterfactual against which to assess the impact of the Merger and, in this case, we have found no evidence to support a different counterfactual.
13. Our conclusion is, therefore, that the counterfactual is the prevailing conditions of competition.

The market in which the Merger takes place

14. We have assessed the relevant market which the Merger may affect and we have concluded that the relevant market is the supply of CCS solutions for consumers and small and medium sized businesses (SMEs) in the UK.

How the market for CCS solutions works

Types of CCS solutions and their providers

15. The market for CCS solutions has developed from being focused on antivirus software for individual devices to including a broader range of software solutions which address the range of cyber threats faced by consumers and their growing need to manage online privacy and protect themselves against identity theft.
16. Consumers can choose from bundled products offering a mix of security, privacy and identity tools and also individual products, such as antivirus software, VPNs and password managers from a range of providers.
17. NortonLifeLock, Avast and some other suppliers of CCS solutions offer both standalone products and bundles of these. Some of these providers have expanded from the supply of security products into other areas, such as VPNs, while others have begun supplying products such as identity solutions and then expanded into the other areas. We have found a wide range of suppliers, operating in the UK and globally.
18. Many CCS solutions are offered across all of the main computer and mobile operating systems (**OS**): for computers, these are Microsoft Windows, Apple MacOS and Google's Chrome; for mobiles, they are Apple's iOS and Google's Android.
19. We have also found that, increasingly, the OS for desktop or mobile devices have security, privacy or identity solutions built-in. Desktop and mobile OS have always had some built-in CCS solutions, such as antivirus protection, but increasingly they include other CCS solutions such as privacy and identity protection. These features may be marketed as part of the overall security of the platforms but they are not sold as separate CCS solutions.
20. The supply of CCS solutions is primarily focused on computers, and in particular on the Microsoft Windows platform. In recent years, Microsoft has developed its security application, Microsoft Defender and the quality of Defender which comes as part of Windows 10 and Windows 11 is rated by

many consumer advice sources as equivalent in quality to the CCS solutions supplied by the Parties and other providers.

21. During the course of our investigation, in June 2022, Microsoft launched a broader CCS solution, Microsoft Defender for Individuals, as part of its M365 software package for consumers in the UK. Microsoft also now incorporates a VPN within its Edge browser.

Availability of free, as well as paid-for, products and other approaches to customer acquisition

22. CCS solutions are offered to consumers on both a free and paid-for basis. Some providers offer consumers a free product and then seek to sell them a more advanced or broader paid-for product. This 'freemium' business model relies on the provider's success in converting a proportion of its free user base to paid-for products. Avast has primarily followed this model, while NortonLifeLock owns Avira which is also a 'freemium' provider.
23. We have found that, once consumers have subscribed to a paid-for CCS solution and moved from any introductory low price to a full price product, they are likely to remain with the same supplier, renewing their subscription annually: retention rates are frequently as high as 80-90% amongst the leading providers. For this reason, competition amongst providers of CCS solutions is greatest at the point of customer acquisition.
24. Another important method of customer acquisition by CCS providers is to have a contract with a computer equipment manufacturer to include the CCS solution into new devices, such as laptops, to encourage some consumers to move to a subscription with them when the free offer expires.

Our competitive assessment

25. We have looked at whether the Merger would lead to a significant reduction in competition between the Parties by removing an important competitor and, in doing so, whether the Merged Entity would be likely to worsen its offering compared to the situation if the Merger did not take place. This is a horizontal, unilateral effects theory of harm.

Shares of supply

26. We have found that the Parties, together with McAfee are, by some distance, the largest suppliers of paid-for CCS solutions in the UK, collectively accounting for around three quarters or more of all supply from 2018 to 2021. We found that other providers' shares in the UK were much lower, with none

having more than a 5% share of revenue or paying customers. In this respect, the Parties both have a strong position in this market.

27. However, while Microsoft Defender is not sold as a separate product and so does not feature in our shares of supply analysis, we have found that its UK user numbers are both very high and growing very fast.

Closeness of competition between the Parties and other providers

28. In order to assess how closely NortonLifeLock and Avast compete with each other and how closely they compete with other providers of CCS solutions, we have examined a range of evidence including the Parties' internal documents, consumer surveys that the Parties have carried out in the past, and other relevant data, such as the Parties' online advertising spend, as well as evidence from third parties.
29. This evidence has shown us that the Parties compete closely with each other, albeit that there are differences in their business models and areas of focus.
30. We have also found that they face competitive constraints from a range of other suppliers.
 - (a) McAfee is a close competitor to the Parties and it is likely to be NortonLifeLock's closest competitor. As such, it exerts a strong constraint on the Parties.
 - (b) We have also found that there are a number of other providers of CCS solutions which, despite being substantially smaller than the Parties and McAfee in the supply of CCS solutions in the UK, provide a range of alternative options for consumers and in aggregate exert a competitive constraint on the Parties. Alongside the Parties, these providers have developed and improved their products over time to meet different and changing customer needs, with a range of alternatives, both free and paid-for, standalone and bundled, available to customers.
 - (c) Microsoft has a unique position as the owner of the Windows operating system for which the Parties primarily supply CCS solutions to their customers. We have found that, through its established and new CCS applications, it exerts a material competitive constraint on the Parties. Our review of its broader strategy and plans relating to its new applications, particularly Microsoft Defender for Individuals, shows that this constraint is likely to strengthen further going forward.

Conclusion

31. We have decided that the anticipated acquisition by NortonLifeLock of Avast may not be expected to result in a substantial lessening of competition as a result of horizontal unilateral effects in the supply of CCS solutions in the UK.

The reference

- 1.1 On 25 March 2022, the Competition and Markets Authority (**CMA**), in exercise of its duty under section 33(1) of the Enterprise Act 2002 (the **Act**), referred the anticipated acquisition (the **Merger**) by NortonLifeLock Inc. (**NortonLifeLock**), through its wholly owned subsidiary, Nitro Bidco Limited, of Avast plc (**Avast**) (together, the **Parties** or, for statements referring to the future, the **Merged Entity**) for further investigation and report by a group of CMA panel members (the **Inquiry Group**).
- 1.2 In exercise of its duty under section 36(1) of the Act, the CMA must decide:
 - (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation (**RMS**); and
 - (b) if so, whether the creation of that RMS may be expected to result in a substantial lessening of competition (**SLC**) within any market or markets in the United Kingdom (**UK**) for goods or services.
- 1.3 We are required to publish a final report by 8 September 2022.
- 1.4 Our terms of reference, along with information on the conduct of the inquiry, are set out in Appendix A and Appendix B respectively.
- 1.5 This document, together with its appendices and glossary, constitutes the Inquiry Group's final report, published and notified to NortonLifeLock Inc. and Avast plc in line with the CMA's rules of procedure.¹ Further information can be found on our webpage.²

2. The Parties, transaction and rationale

The Parties

NortonLifeLock

- 2.1 NortonLifeLock is a global provider of consumer cyber safety (CCS) solutions with approximately 80 million users worldwide and global revenue of £2 billion

¹ [Rules of procedure for merger, market and special reference groups \(CMA17\)](#), November 2015 (corrected) paragraphs 11.1–11.7.

² See: [NortonLifeLock Inc./Avast plc merger inquiry](#).

in 2021.³ The group is listed on the NASDAQ exchange in the US with a market capitalisation of approximately \$13.4 billion.⁴

- 2.2 Until 2019, NortonLifeLock, operating at the time as Symantec Corporation, provided both Enterprise Security and CCS solutions. However, in 2019 the majority of the Enterprise Security business was sold to Broadcom for \$10.7 billion.⁵ The remainder of the enterprise security business, ID Analytics LLC, was subsequently sold to LexisNexis in early 2021 for \$375 million.⁶
- 2.3 In January 2021, NortonLifeLock acquired Avira, a German-based provider of business and CCS solutions for approximately \$360 million from Investcorp Technology Partners.⁷ In November 2020, Avira had acquired BullGuard, a UK based provider of business and CCS solutions. Avira and BullGuard are active in relation to endpoint security, privacy and identity protection. In September 2021, NortonLifeLock acquired Reputation Defender LLC,⁸ which provides online reputation and digital privacy solutions for businesses and consumers.
- 2.4 NortonLifeLock provides CCS solutions under the Norton, Avira, BullGuard and LifeLock brands across the following three broad cyber safety categories.⁹
- (a) Security: NortonLifeLock offers software to provide real-time protection for computers and mobile devices against malware, viruses, adware, ransomware and other online threats.
 - (b) Online privacy: NortonLifeLock supplies privacy solutions that provide enhanced security and online privacy through an encrypted data tunnel or VPN products. NortonLifeLock has recently launched an anti-track product in the UK.¹⁰
 - (c) Identity protection: NortonLifeLock offers software to monitor, alert and restore services to protect users against, for example, identity theft. In the UK, NortonLifeLock provides dark web monitoring,¹¹ social media

³ Parties, Final Merger Notice, paragraph 63. Global Revenue figure for financial year to 2 April 2021.

⁴ [NortonLifeLock Inc. \(NLOK\) Stock Price, News, Quote & History - Yahoo Finance](#), last accessed on 13 July 2022.

⁵ Parties Final Merger Notice, paragraph 64. See also [Broadcom to Acquire Symantec Enterprise Security Business for \\$10.7 Billion in Cash | Broadcom Inc.](#)

⁶ Parties, Final Merger Notice, paragraph 64. See also [NortonLifeLock Inc. - NortonLifeLock Announces Sale of ID Analytics Business to LexisNexis Risk Solutions.](#)

⁷ Parties, Final Merger Notice, paragraph 105. See also [NortonLifeLock Inc. - NortonLifeLock to Acquire Avira.](#)

⁸ Parties, Final Merger Notice, paragraph 108. See also [NortonLifeLock Acquisition - ReputationDefender.](#)

⁹ Parties, Final Merger Notice, paragraphs 62 and 68–75. Avira and Bullguard focus on endpoint security and LifeLock focuses on identity protection.

¹⁰ Parties, Final Merger Notice, paragraph 84.

¹¹ Dark web monitoring is a solution which seeks to detect personal information of the user on the dark web; Parties, Final Merger Notice, paragraph 72.

monitoring and restoration support as part of its Norton 360 Advanced package.¹²

(d) NortonLifeLock is primarily a paid-for CCS solution provider although through its acquisition of Avira it also provides free solutions, including in the UK.¹³

2.5 In the UK in 2021, NortonLifeLock under the Norton brand had approximately [X] paid users, the Avira brand had approximately [X] paid users and approximately [X] 'freemium' users¹⁴ and the BullGuard brand had approximately [X] paid users.¹⁵

2.6 The turnover of NortonLifeLock in the last financial year was approximately £2 billion worldwide and approximately £[X] million in the UK.¹⁶

Avast

2.7 Avast is a global provider of CCS solutions. It was founded in the Czech Republic in 1991 and in 2016 acquired AVG, another provider of CCS solutions based in the Czech Republic.¹⁷ Avast plc is incorporated in the UK and has its headquarters in the Czech Republic with 15 offices globally and over 1,700 employees.¹⁸ Avast plc is listed on the FTSE 100 and had a market capitalisation of approximately £5.3 billion (as at 13 July 2022).¹⁹

2.8 Avast supplies CCS solutions under the Avast, AVG, CCleaner and HMA brands.²⁰ Broadly, Avast provides CCS solutions across the following three broad cyber safety categories:²¹

¹² [Norton 360 Advanced | Advanced security and virus protection for 10 devices](#)

¹³ Parties, Final Merger Notice, paragraph 66.

¹⁴ Freemium users are users which are offered a base product free of charge with the view to subsequently monetising such users through up-selling or cross-selling other products or services.

¹⁵ Parties, Final Merger Notice, paragraph 66.

¹⁶ Parties Final Merger Notice, paragraph 143; for the period 3 April 2020 to 2 April 2021.

¹⁷ [History | Avast](#).

¹⁸ Parties, Final Merger Notice, paragraph 80 and see [At a glance | Avast](#).

¹⁹ As at 13 July 2022 see [Avast plc \(AVST.L\) Stock Price, News, Quote & History - Yahoo Finance](#).

²⁰ AVG focusses on endpoint security, CCleaner focusses on device optimisation, HMA focusses on online privacy (VPN).

²¹ Parties, Final Merger Notice, paragraphs 76 and 81 to 87. Avast's CCS offering also comprises connected home security solutions and performance (PC optimisation) solutions. In particular, Avast supplies Avast Omni, an all-in-one protection product for smart homes and families in the US, and Avast supplies PC utility software tools which offer regular updating and clean up tasks to improve system performance.

- (a) Security: Avast supplies endpoint security software for computers and mobile devices, which seeks to protect consumers from malware, viruses, adware, ransomware and other online threats.²²
- (b) Online privacy: Avast supplies a number of VPN and anti-track products, which allows users to avoid their unique online identifiers from being tracked online.
- (c) Identity protection: Avast supplies dark web monitoring solutions as part of its BreachGuard product. Avast also offers an identity theft protection service. Avast launched this service in North America and has rolled it out more widely, including in the UK, as of December 2021.²³

2.9 Avast's business model is focussed on supplying freemium solutions to consumers and then aiming to sell its paid-for products to these. Avast has over 435 million global users, including approximately [X] million users in the UK.²⁴

2.10 The turnover of Avast in the last financial year was approximately £684.3 million worldwide and approximately £[X] million in the UK.²⁵

The transaction

2.11 NortonLifeLock, through its wholly owned subsidiary, Nitro Bidco Limited, has agreed to acquire the entire issued and to be issued ordinary share capital of Avast. The Merger was announced on 10 August 2021 and its completion is conditional on clearance by the CMA.

2.12 The Merger is to be implemented by way of a scheme of arrangement pursuant to Part 26 of the UK Companies Act 2006 as amended.²⁶

2.13 Under the terms of the offer there are two payment options for Avast shareholders.

²² Antivirus software refers to software which is designed to detect and remove computer viruses. Endpoint security refers to software which is designed to protect the endpoint (eg the customer device) from a wider range of security threats, including but not limited to computer viruses.

²³ Both its dark web monitoring solutions and its identity protection service rely on inputs licenced from third parties.

²⁴ Parties Final Merger Notice, paragraph 77.

²⁵ [X].

²⁶ Public Information [Final Rule 2.7 Announcement of 10 August 2021](#), page 1.

- (a) A Majority Cash Offer (**MCO**) through which Avast shareholders will receive consideration in the form of approximately 90% cash and 10% NortonLifeLock shares.²⁷
- (b) A Majority Stock Offer (**MSO**) through which Avast shareholders will receive consideration in the form of approximately 31% cash and 69% NortonLifeLock shares.²⁸

- 2.14 Based on NortonLifeLock's share price on 13 July 2021,²⁹ the offer valued the ordinary share capital of Avast at between \$8.1–8.6 billion (£5.8–6.2 billion)^{30,31} depending on the extent to which the remaining shareholders elected for the MCO or MSO.³² The MCO and MSO represented approximately a 20.7% and 9.3% premium respectively on the unaffected price.³³
- 2.15 Should the transaction complete, then the Merged Entity would be between 14% and 26% owned by Avast shareholders, depending on the extent to which the remaining shareholders elect for the MCO or the MSO.³⁴

Transaction rationale

- 2.16 The Parties have stated that the rationale for the transaction is to:
- (a) Accelerate the transformation of consumer cyber safety, with the combined company having over 500 million users;
 - (b) combine Avast's strength in privacy and NortonLifeLock's strength in identity to create a broad and complementary product portfolio beyond core security and towards adjacent trust-based solutions;
 - (c) provide greater geographic diversification and access to a larger global user base, as well as facilitating expansion into the small office/home office and very small business segments, and the building of stronger

²⁷ Public Information [Final Rule 2.7 Announcement of 10th August 2021](#), page 1.

²⁸ Public Information [Final Rule 2.7 Announcement of 10th August 2021](#), page 2.

²⁹ This was the last share trading date immediately prior to the announcement by the Parties confirming discussions in relation to the transaction on 14 July following reports in the media the 'unaffected price'

³⁰ Per slide 4 of the [NortonLifeLock Investor Presentation 10th August 2021](#) the £ values are calculated using the closing USD:GBP exchange rate of 1.38595 of the last day prior to the recommended offer (9th August 2021 and not the exchange rate on 13 July 2021 (pre-leak price date)

³¹ Slide 1 of [NortonLifeLock Investor Presentation 10 August 2021](#) the NortonLifeLock closing share price on 13 July 2021 was \$27.20. As of 13 July 2022 the NortonLifeLock closing share price was lower at \$22.94 and therefore the transaction value at that date will also be lower (see [NortonLifeLock Inc. \(NLOK\) stock price, news, quote & history – Yahoo Finance](#)).

³² Public Information [NortonLifeLock Investor Presentation 10th August 2021](#), slide 3

³³ Public Information [NortonLifeLock Investor Presentation 10th August 2021](#), slide 4

³⁴ Public Information [Final Rule 2.7 Announcement of 10th August 2021](#), page 2

business to business to consumer and original equipment manufacturer (**OEM**) partnerships;

- (d) unlock significant value creation through approximately \$280 million of annual gross cost synergies, providing additional upside potential from new reinvestment capacity for innovation and growth; and
- (e) bring together two strong and highly experienced consumer-focused management teams with a common culture of excellence and innovation.³⁵

2.17 The Parties also stated the transaction will bring financial benefits including increased scale, strong cashflow generation and ‘double digit’ earnings per share growth in the first year of the transaction.³⁶

2.18 The Parties expect that the synergies set out in paragraph 2.16(d) will be achieved through:

- (a) The adoption of shared best practices and removal of duplicate roles;
- (b) moving to a common data and security platform, system integration and shared tech and analytics infrastructure;
- (c) site rationalisation, procurement and vendor consolidation and spend ‘de-duplication’.³⁷

3. Relevant merger situation

Introduction

3.1 The Merger must meet the following two principal criteria to constitute a RMS for the purposes of the Act:^{38,39}

- (a) First, either:
 - (i) two or more enterprises must cease to be distinct; or
 - (ii) there must be arrangements in progress or in contemplation which, if carried into effect, will lead to enterprises ceasing to be distinct; and

³⁵ Public Information [Final Rule 2.7 Announcement of 10th August 2021](#), page 3

³⁶ Public Information [Final Rule 2.7 Announcement of 10th August 2021](#) page 4

³⁷ Public Information [NortonLifeLock Investor Presentation 10th August 2021](#), slide 13.

³⁸ Mergers: Guidance on the CMA’s jurisdiction and procedure (as amended on 4 January 2022), ([CMA2revised](#)), paragraph 4.3.

³⁹ Section 23 of the Act.

(b) Second, either:

- (i) the UK turnover associated with the enterprise which is being acquired exceeds £70 million ('the **turnover test**'); or
- (ii) the enterprises which cease to be distinct supply or acquire goods or services of any description and, after the merger, together supply or acquire at least 25% of all those particular goods or services of that kind supplied in the UK or in a substantial part of it. The merger must also result in an increment to the share of supply or acquisition ('the **share of supply test**').

Enterprises ceasing to be distinct

Enterprises

- 3.2 The first element of the jurisdictional test considers whether two or more enterprises will cease to be distinct as a result of the Merger.
- 3.3 The Act defines an 'enterprise' as 'the activities or part of the activities of a business'. A 'business' is defined as including 'a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge.'⁴⁰
- 3.4 NortonLifeLock and Avast are both active in the supply of CCS solutions in the UK and generate turnover in the UK (see Chapter 2 above).
- 3.5 We are therefore satisfied that each of NortonLifeLock and Avast is a 'business' within the meaning of the Act and that, accordingly, the activities of each of NortonLifeLock and Avast are an 'enterprise' for the purposes of the Act.

Ceasing to be distinct

- 3.6 Section 26 of the Act explains the concept of 'ceasing to be distinct'. Two enterprises cease to be distinct once they are brought under common ownership or common control.
- 3.7 The Merger concerns the proposed acquisition by NortonLifeLock, through Nitro Bidco Limited, of the entire issued and to be issued share capital of Avast. The Merger would result in Avast becoming wholly under the control of

⁴⁰ Section 129(1) of the Act. See also sections 129(3) and 130 of the Act.

NortonLifeLock, through Nitro Bidco Limited. Accordingly, as a result of the Merger, NortonLifeLock, through Nitro Bidco Limited, would acquire a controlling interest in Avast within the meaning of section 26 of the Act.

3.8 We therefore find that the first limb of the jurisdiction test is met.

The turnover or share of supply test

3.9 The second element of the jurisdictional test seeks to establish sufficient connection with the UK on a turnover or share of supply basis.

Turnover test

3.10 The turnover test is met where the value of the turnover in the UK of the 'enterprise being taken over'⁴¹ exceeds £70 million. Avast did not generate more than £70 million of turnover in the UK in its most recent financial year and so the turnover test in section 23(1) of the Act is not satisfied.

Share of supply test

3.11 Under section 23 of the Act, the share of supply test is satisfied if the merged enterprises both either supply or acquire goods or services of a particular description in the UK, and will, after the merger, supply or acquire at least 25% or more of those goods or services in the UK as a whole, or in a substantial part of it. There must be an increment in the share of supply as a result of the merger.

3.12 The CMA has a broad discretion to identify a specific category of goods or services supplied or acquired by the merger parties for the purposes of applying the share of supply test. The group of goods or services to which the jurisdictional test is applied need not amount to a relevant economic market, and can aggregate, for example, intra-group and third party sales even if these might be treated differently in the substantive assessment.⁴²

3.13 The Parties have overlapping activities in the UK, notably in respect of CCS solutions. On the basis of any of our approaches to estimating shares of

⁴¹ Section 28 of the Act confirms that turnover for the purposes of section 23(1) is determined by taking the total value of the UK turnover of the enterprises which cease to be distinct.

⁴² [CMA2 revised](#), paragraph 4.59.

supply the Parties would have a combined share of supply of more than 25% and the Merger would result in an increment in the share of supply.⁴³

- 3.14 In view of the foregoing, we have found that the share of supply test in section 23 of the Act is met.

Conclusion on relevant merger situation

- 3.15 In view of the above, our view is that the Merger would result in the creation of an RMS.

4. Counterfactual

Introduction

- 4.1 The counterfactual is an analytical tool used to help answer the question of whether a merger gives rise to an SLC. It does this by providing the basis for a comparison of the prospects for competition with the merger against the competitive situation without the merger. The latter is called the 'counterfactual'.⁴⁴
- 4.2 The counterfactual is not intended to be a detailed description of the conditions of competition that would prevail absent the merger. The CMA's assessment of those conditions is considered in the competitive assessment.⁴⁵ The CMA also seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger.⁴⁶
- 4.3 Furthermore, significant changes affecting competition from third parties which would occur with or without the merger (and therefore form a part of the counterfactual) are unlikely to be assessed in any depth as part of the CMA's counterfactual assessment. This includes entry or expansion by a third party. Likewise, where there is evidence to indicate that entry and/or expansion may be likely in reaction to any adverse effects from the merger, this will be considered in the countervailing factors part of the CMA's SLC assessment.⁴⁷
- 4.4 At Phase 2, the CMA has to make an overall judgement as to whether or not an SLC has occurred or is likely to occur. To help make this assessment the

⁴³ We have estimated shares of supply using three approaches: first, share of supply by revenue in the UK for paid CCS solutions (see Table 1, Chapter 7); second, share of supply by volume (paying customers) in the UK for consumer endpoint security products (see Table 2, Chapter 7); third shares of supply by revenue in the UK for consumer endpoint security products (see Table 2, Appendix D).

⁴⁴ MAGs, paragraph 3.1.

⁴⁵ MAGs, paragraph 3.7.

⁴⁶ MAGs, paragraph 3.11.

⁴⁷ MAGs, paragraph 3.10.

CMA will select the most likely conditions of competition as its counterfactual against which to assess the merger. In some instances, the CMA may need to consider multiple possible scenarios before identifying the relevant counterfactual. In doing this, the CMA will consider whether any of the possible scenarios make a significant difference to the conditions of competition and, if any do, the CMA will find the most likely conditions of competition absent the merger as the counterfactual.⁴⁸

The Parties' views

4.5 The Parties have stated that the counterfactual in this case should be the pre-merger conditions of competition where the Parties continue to operate independently of one another.⁴⁹

Our assessment

4.6 We note that the cyber threats posed to consumers and the CCS solutions offered to protect against such threats, are evolving, and have taken this into account where relevant within our competitive assessment.

4.7 We have not received any evidence to suggest that there could have been significant changes affecting competition between the Parties absent the Merger. We therefore consider that the prevailing conditions of competition form the relevant counterfactual.

Conclusion

4.8 We have concluded is that the prevailing conditions of competition are the relevant counterfactual against which to assess the Merger.

5. Market definition

Introduction and approach

5.1 The assessment of the relevant market is an analytical tool that forms part of the analysis of the competitive effects of the Merger.⁵⁰ It involves identifying the most significant competitive alternatives available to customers of the

⁴⁸ MAGs, paragraph 3.13.

⁴⁹ Parties, Final Merger Notice, paragraph 160.

⁵⁰ MAGs, paragraph 9.1.

Parties and includes the sources of competition to the Parties that are the immediate determinants of the effects of the Merger.⁵¹

- 5.2 However, while market definition can be a useful tool, it is not an end in itself. The outcome of any market definition exercise does not determine the outcome of the CMA's analysis of the competitive effects of the merger in any mechanistic way. In assessing whether a merger may give rise to an SLC, the CMA may take into account constraints outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. In many cases, especially those involving differentiated products, there is often no 'bright line' that can or should be drawn.⁵² In this context, we set out in this chapter the analysis of the relevant product and geographic markets for our assessment of the competitive effects of the Merger.

Product market definition

- 5.3 In line with our guidelines, we have started our assessment of the relevant product market with the relevant products of the Merger firms. We have then considered whether there are significant competitive constraints on the Merger firms' products such that other products should be included in the relevant market, or any segmentations of the market are appropriate. In doing so, we have paid particular regard to demand side factors (the behaviour of customers).⁵³
- 5.4 The Parties overlap in the supply of CCS solutions to consumers and SMEs, by offering a broad range of products including endpoint security, VPNs and identity protection (either on a standalone basis or as bundles). As part of their range, the Parties both supply 'total security' solutions, which include their Norton 360 and Avast One bundles.⁵⁴ Some cyber safety providers provide solutions to enterprises, however neither party currently has an enterprise offering, however they do both supply products to SMEs. Hereafter, we use the term 'CCS' to refer to solutions for both consumers and SMEs unless stated otherwise.
- 5.5 We begin our assessment of the relevant product market by considering all CCS solutions and, in this section, we assess whether this market should be widened or segmented:

⁵¹ MAGs, paragraph 9.2.

⁵² MAGs, paragraph 9.4.

⁵³ MAGs, paragraph 9.6.

⁵⁴ Parties, Final Merger Notice, paragraphs 81-87.

- (a) To include enterprise customers;
- (b) by type of CCS solution;
- (c) by go-to-market model; or
- (d) by operating system.

The Parties' views

5.6 The Parties submitted that the product frame of reference should be cyber safety solutions for consumers and SMEs, as distinct from cyber safety solutions for enterprise users, without sub-segmentation by reference to solution (eg endpoint security), go-to-market model (eg paid-for, freemium or free), or OS on which the CCS is available for use.⁵⁵

CCS solutions vs cyber safety solutions for enterprise users

5.7 With regard to the distinction between cyber safety solutions for consumers and SMEs, and cyber safety solutions for enterprise customers, the Parties submitted that it is appropriate to distinguish between solutions that are used by consumers and SMEs (which typically have needs more similar to consumers) on the one hand and commercial (ie enterprise) users on the other. This is consistent with the analytical approach taken by the European Commission in its assessment of the *Broadcom / Symantec* merger, and the fact that enterprise solutions, for example, are typically characterised by a higher degree of sophistication, a broader range of functionalities and specific support services that only enterprise users demand.⁵⁶

Segmentation by type of CCS solution

5.8 Considering sub-segmentation by reference to type of solution, the Parties submitted that the product frame of reference should include all CCS solutions, encompassing endpoint security, connected home security, parental controls, password management, cloud back-up, identity protection, consumer VPN and device care.⁵⁷

5.9 The Parties submitted that, while the origins of CCS solutions were in endpoint security, the area has evolved, in particular in response to the role that OS providers have played in driving increasing consumer use of technology (and corresponding demand for cyber safety solutions) and in

⁵⁵ Parties, Final Merger Notice, paragraphs 177-185.

⁵⁶ Parties, Final Merger Notice, paragraph 178.

⁵⁷ Parties, Final Merger Notice, paragraph 177.

developing 'built-in' cyber safety solutions for their OS which constrain CCS providers.⁵⁸ As a consequence, the Parties explained that CCS solution providers are now focussing on developing and expanding their offering to include a suite of other solutions (such as connected home security, parental controls, password management, cloud backup, identity theft protection, consumer VPN services and device care) to address emerging consumer cyber safety needs. Such solutions may be provided on a standalone or 'bundled' basis, with many providers offering combinations of solutions.⁵⁹

Segmentation by go-to-market model

5.10 The Parties submitted that the relevant market should include all CCS solution providers, irrespective of their go-to-market model.⁶⁰ The Parties submitted that consumers have multiple routes to access cyber safety solutions. In addition to the 'built-in' offerings of OS providers, independent CCS solution providers offer a variety of CCS solutions that can be downloaded and installed by consumers on a paid-for or free basis (and as individual products or combinations) depending on the business model of each supplier.⁶¹

Segmentation by operating system

5.11 Lastly, the Parties submitted that the frame of reference should not be segmented by reference to OS on which the CCS solution is available for use, given that the technology behind the products is similar and, with the exception of endpoint security, the solutions offered by CCS solution providers are offered across OS platforms.⁶²

Our assessment

5.12 In assessing whether a product market for all CCS solutions should be widened or segmented, we have considered evidence from the Parties' internal documents and third party submissions. Below, we outline how we

⁵⁸ Parties, Final Merger Notice, 17 January 2022, paragraphs 10 and 16.

⁵⁹ For example, McAfee's Total Protection, Trend Micro's Premium Security, Bitdefender's Total Security and Kaspersky's Total Security are examples of bundled products. Parties, Final Merger Notice, paragraphs 20 and 179.

⁶⁰ Parties, Final Merger Notice, paragraph 181.

⁶¹ Parties, Final Merger Notice, paragraph 16.

⁶² The Parties submitted that Apple and Google OSs and mobile OSs (such as Android and iOS) are designed in a way such as not to require endpoint security, meaning that endpoint solutions offered are an overlay to the existing cyber safety elements inherent to selected OS (which is different from the position with Windows, where the third party endpoint security software is a direct replacement of Windows Defender). The Parties submitted that, given this dynamic, some endpoint software is only offered for Windows (Parties, Final Merger Notice, paragraph 185).

have assessed the evidence available to us in relation to each of the possible market delineations that were identified (as listed in paragraph 5.5).

CCS solutions vs cyber safety solutions for enterprise users

- 5.13 The evidence we have received supports the Parties' submissions that the needs of consumers and SMEs are distinct from those of enterprises, with the latter requiring more complex cyber safety solutions and specific support services.
- 5.14 On the supply-side, there are different suppliers for enterprise and consumer/SME cyber safety solutions, and where suppliers do offer both types of solutions, they typically offer distinct products to consumer/SME and enterprise customers.
- (a) For example, one competitor [REDACTED] told us that it transfers functionalities between customer segments while meeting different customer requirements.⁶³
- (b) Similarly, another competitor [REDACTED] told us that it made a conscious choice to deprioritise CCS to focus on the sale of enterprise solutions.⁶⁴
- 5.15 In addition, we have not seen any evidence in internal documents that the Parties monitor suppliers of enterprise security solutions in the context of their CCS offerings.
- 5.16 The evidence above indicates that there is limited demand-side and supply-side substitution between CCS solutions and cyber safety solutions for enterprises. We therefore consider that the product market should be limited to the supply of CCS solutions and not include cyber safety solutions for enterprises.

Segmentation by type of CCS solution

- 5.17 The evidence we received supports the Parties' submissions that the supply of CCS solutions has evolved, such that CCS solution providers generally supply a range of CCS solutions, including endpoint security, VPNs, identity protection, password managers, etc. These solutions can be offered as standalone products, or as part of bundled total security solutions.
- 5.18 We have considered whether it is appropriate to analyse the impact of the merger on the supply of 'total security' CCS solutions, that is, bundled CCS

⁶³ [REDACTED], call note.

⁶⁴ [REDACTED], response to questionnaire.

solutions which have endpoint security included as a core part of the offering, separately from the assessment of its impact on the supply of standalone CCS solutions.

- 5.19 Most competitors indicated that it was important for CCS solution providers to be able to offer a broad suite of features, such as total security products, to stay competitive in the market and meet consumer demand. In particular:
- (a) A competitor, Kaspersky submitted that consumers value comprehensive solutions which provide protection against different types of threats on different types of devices ('total security/protection' solutions);⁶⁵
 - (b) Another competitor, F-Secure submitted that 'total security' packages simplify consumers' lives, help them to decide what to buy and how to use that protection. It further submitted that the industry is heading more towards 'total security suites' rather than standalone products;⁶⁶
 - (c) Another competitor, TrendMicro submitted that consumers are likely to desire as few security consoles as possible;⁶⁷
 - (d) Another competitor, Panda Security submitted that users demand a complete all-in-one solution to protect their digital lives;⁶⁸
 - (e) Another competitor, McAfee submitted that, while it is possible for providers of comprehensive CCS solutions to compete with providers of individual solutions, in its experience, consumers prefer being able to purchase a product which offers total protection, rather than purchase individual solutions from a range of suppliers;⁶⁹
 - (f) Another competitor, Aura told us that consumers are increasingly realising that a purchasing full suite of products is more cost-effective than having a few different products and that doing so provides them with a better experience overall;⁷⁰ and
 - (g) Another competitor, ESET told us that a small number of consumers will mix and match CCS solutions but in general consumers will consider whether they need an additional protection layer and what brand has what they need and want. It also told us that consumers prefer all in one

⁶⁵ Kaspersky, response to questionnaire.

⁶⁶ F-Secure, response to questionnaire.

⁶⁷ TrendMicro, response to questionnaire.

⁶⁸ Panda Security, response to questionnaire.

⁶⁹ McAfee, response to questionnaire.

⁷⁰ Aura, call note.

security suites, partly because the interoperability is better, and as such the market and providers are moving in that direction.⁷¹

- 5.20 Two of these competitors also considered that standalone CCS solutions compete directly with bundles:
- (a) One competitor, Aura told us that it considers standalone solutions, or a combination of point solutions, to be competitive alternatives to suite products.⁷²
 - (b) Another competitor, Kaspersky told us that standalone solutions compete for consumer demand with comprehensive suites of cross-platform solutions.⁷³
- 5.21 The evidence we have reviewed suggests that the Parties offer similar CCS bundles. As such they face a strong competitive constraint from the largest providers of CCS solutions which offer endpoint security as part of 'total security' solutions bundles (see Chapter 7).
- 5.22 However, the evidence also shows that the supply of CCS solutions has evolved significantly with a range of CCS solutions and features available to meet different customer needs, and that the Parties face competition, to varying degrees, from a range of CCS solution providers, including standalone providers and OS providers.
- 5.23 Based on the evidence above and given the delineation between bundled and standalone CCS solutions is not clear-cut (for example, bundles can be built by combining different standalone solutions from the standalone products of the same provider or can be purchased as an all-in-one solution in the first place), we consider that the product market should include all types of CCS solutions. However, the competitive assessment will take into account the different extent to which suppliers across the spectrum of different CCS solutions exert competitive constraints on the Parties.

Segmentation by go-to-market model

- 5.24 With regard to a segmentation by go-to-market model (that is, paid-for, freemium, or in-built as part of an OS or pre-installed by an OEM), the Parties'

⁷¹ ESET, call note.

⁷² Aura, call note.

⁷³ Kaspersky, response to RFI 1.

internal documents show that they assess and monitor providers with different go-to-market models when monitoring competitors.⁷⁴

- 5.25 In addition, despite differences in business models, third parties considered that a range of competitors compete to supply CCS solutions.
- 5.26 As a result, we consider that it is not appropriate to segment the product market by reference to whether CCS solutions are offered on a 'freemium' or purely 'paid-for' basis, nor by reference to whether they are built-in solutions offered by an OS provider or offered as separate products by a CCS provider.

Segmentation by operating system

- 5.27 The evidence we have reviewed suggests that most CCS solution providers are active across different OS platforms,⁷⁵ therefore we do not consider it appropriate to segment the product market by OS platform.

Conclusion on product market

- 5.28 Based on the evidence and assessment set out above, we have concluded that the relevant product market includes all CCS solutions (for consumers and SMEs), with no segmentation by type of solution (standalone or bundle), go-to-market model or operating system. Any differences in the nature of the constraint offered by these different types of product are taken into account, to the extent relevant, in our competitive assessment.

Geographic market definition

- 5.29 The Parties supply CCS solutions across various geographic regions, for example North America, Europe, and Asia. In line with our approach to defining the product market, we have considered evidence submitted by the Parties and third parties to determine whether it is appropriate to define a geographic market that is narrower than global.

The Parties' views

- 5.30 The Parties submitted that the market for CCS solutions is global, because the CCS solutions offered by the Parties and their competitors (including providers of endpoint security solutions, standalone providers and OS

⁷⁴ See Chapter 7.

⁷⁵ G DATA, response to RFI 1, question 14. Malwarebytes, response to RFI 1, question 14. Kaspersky, response to RFI 1, question 14. McAfee, response to RFI 1, question 15.

providers) are the same globally and the software is not tailored to specific countries or regions (save for any language requirements).⁷⁶

5.31 In addition, the Parties submitted that they set several non-price aspects of their offering such as [REDACTED] with only occasional local variations.⁷⁷

5.32 While the Parties acknowledged that share of supply data submitted to us shows some variations in shares between the UK and global levels, the Parties submitted that limited weight can be placed on this data given limitations in the dataset.⁷⁸ The Parties further noted the data shows that the same competitors feature at a global, regional and national level.⁷⁹

5.33 The Parties pointed to other indicators that the market for CCS solutions is global:⁸⁰

(a) [REDACTED] of their internal documents show that the Parties assess competition at a global level;

(b) [REDACTED] of the Parties' internal documents assess regional competition, [REDACTED];⁸¹

(c) considering product development, even when a company launches a solution in a certain region initially, global coverage typically rolls out quickly;⁸² and

(d) [REDACTED].⁸³

⁷⁶ Parties, response to the Issues Letter, paragraph 3.1; Parties, [response to the Provisional Findings](#), 9 August 2022, paragraph 3.

⁷⁷ Parties, response to the Annotated Issues Statement.

⁷⁸ Parties, response to the Issues Letter, paragraph 3.2. The Parties noted that the estimates of third party market shares based on Gartner and IDC data are limited in scope. Gartner data covers consumer security by revenue while IDC provides estimates for endpoint security (on a global basis only). The Parties understand that both Gartner and IDC estimate revenues among only endpoint security providers, but include non-endpoint security revenues of those providers, and therefore do not take into account, for example, the share of OS providers offering built-in CCS solutions and standalone providers (who do not offer endpoint security). Parties, Final Merger Notice, paragraph 200.

⁷⁹ Parties, response to the Issues Letter, paragraph 3.2.

⁸⁰ The Parties also submitted that identity protection is a nascent segment in the UK and that in identity protection, the software element (ie dark web monitoring) is a technology solution that can be rolled out globally; however, the non-software element (eg, the insurance and support services from any information breach) may be national in scope as it involves local elements (Parties, Final Merger Notice, paragraph 189 and 190).

⁸¹ Parties, response to the Issues Letter, paragraph 3.4.

⁸² Parties, Final Merger Notice, paragraph 186. Parties, response to the phase 1 Issues Letter, paragraph 3.10. Parties, response to the Annotated Issues Statement.

⁸³ Parties, response to the Issues Letter, paragraphs 3.11-3.12.

Our assessment

- 5.34 As with product markets, our primary focus in defining geographic markets is on demand-side factors and identifying the most important competitive alternatives to the merger firms.⁸⁴
- 5.35 First, we note that there is evidence of differences in the Parties' and their competitors' offerings (eg range of products, pricing) between geographic regions, including nationally. For example, NortonLifeLock's LifeLock products are currently mostly focused on the US, and Avast Omni (a connected home security solution) is only available in the US. We also note that there is evidence that NortonLifeLock varies its pricing geographically.⁸⁵
- 5.36 Several competitors who responded to our requests for information also indicated that some competitive parameters are set regionally and/or nationally.⁸⁶ For example, one competitor [REDACTED] told us that the UK is a highly price competitive market, and so remaining competitive requires heavily discounting their products in the UK.⁸⁷
- 5.37 Further, there is evidence of geographic differences in consumer preferences. In this respect, we note that part of the rationale for the Merger includes enabling greater geographical diversification, combining regional expertise, and targeting new regions, each of which we consider to be consistent with consumer preferences varying geographically.⁸⁸
- 5.38 Consistent with the Parties' submission that the market for CCS solutions is global, we note that many of the Parties' internal documents contain an assessment of competition or financial performance at a global level. However, several of the Parties' internal documents also assess competitive conditions or financial performance by geographic area, including for the UK, although this is [REDACTED].⁸⁹ We further note that in 2021 Avast commissioned a customer survey specifically for the UK.⁹⁰

⁸⁴ MAGs, paragraph 9.13.

⁸⁵ NortonLifeLock Internal Documents.

⁸⁶ For example: [REDACTED], response to RFI 1, question 6; [REDACTED], response to RFI 1, question 6; [REDACTED], response to RFI 1, question 6; and [REDACTED], response to RFI 1, question 6.

⁸⁷ [REDACTED], response to RFI 1, question 6.

⁸⁸ For example, Parties, Final Merger Notice, paragraph 43.

⁸⁹ For example: for NortonLifeLock: NortonLifeLock, Internal Documents.

For Avast: Avast, Internal Documents.

⁹⁰ See Chapter 7.

- 5.39 In relation to customer preferences and behaviour, third parties noted that there are differences between the UK and other geographic areas, linked to branding and historic investment in sales channels:⁹¹
- (a) A competitor [X] noted that local brand awareness and trust is a key competitive differentiator;⁹² and
 - (b) another competitor [X] told us that it uses different customer acquisition channels depending on the product and the geographic region.⁹³
- 5.40 On the supply side, evidence we have reviewed suggests that, while the largest CCS solution providers are active across multiple geographic areas, there are material differences in the strength of some providers between the UK and elsewhere (including on a global basis).
- 5.41 Estimates provided by the Parties, which the Parties submitted were based on limited information for the wider CCS market and should be treated with caution, indicate that NortonLifeLock and McAfee have higher shares of supply in the UK than worldwide and that these differences are even more significant for some of the smaller providers of endpoint security solutions. For example, based on this data, Trend Micro has a significantly smaller share of supply in the UK than worldwide.⁹⁴
- 5.42 Our analysis of supply data submitted to us by the Parties and third party competitors shows similar geographic differences in shares of supply. For example, we found that Trend Micro has a significantly larger share of supply globally than in the UK, and that several other competitors such as Kaspersky and Aura also have larger shares outside the UK than in the UK, although their differences are smaller.⁹⁵
- 5.43 While we acknowledge that there are certain limitations with the data submitted by the Parties (see footnote 78) and third parties (see Chapter 7 and Appendix D), we consider that the data is nevertheless indicative of geographical variation in the competitive strength of CCS providers when considered on a UK and global basis, which in turn suggests different competitive conditions across geographic areas.

⁹¹ [X], call note; [X] call note; and [X], call note.

⁹² [X], call note.

⁹³ [X], response to RFI 1, question 1.

⁹⁴ NortonLifeLock, Internal Documents.

⁹⁵ See Chapter 7 and Appendix D.

5.44 Many of the competitors who responded to the relevant questions in our questionnaires also indicated that competitive conditions typically vary by geographic area.⁹⁶

Conclusion on geographic market

5.45 Based on the evidence and assessment set out above, we have concluded that the relevant geographic market is the UK.

Conclusions on market definition

5.46 For the reasons set out above, we have concluded that the relevant market is the supply of CCS solutions in the UK.

6. How the market works and the nature of competition

6.1 In this chapter, we provide an overview of the types of CCS solutions offered by CCS providers. We then outline our assessment of how competition among CCS providers works, including the parameters over which suppliers of CCS solutions compete.

Types of CCS solutions

The supply of CCS solutions

6.2 Historically, the supply of CCS solutions principally concerned the supply of antivirus or endpoint security products. As the digital life of consumers and the related cyber threats have evolved, so has the range of CCS solutions available to protect against these threats.

6.3 Today, there is a range of CCS solutions available to consumers, including endpoint security solutions, online privacy solutions (such as VPNs), identity theft protection and device care solutions.⁹⁷

⁹⁶ [REDACTED], response to questionnaire; [REDACTED] response to questionnaire; [REDACTED] response to questionnaire; and [REDACTED], response to questionnaire.

⁹⁷ In addition to endpoint security solutions the market intelligence company IDC identifies the following solutions within the category of 'consumer digital life protection': (i) consumer VPNs, which establish an encrypted tunnel between the consumer's online device and the VPN provider allowing for a secure and private communication channel; (ii) identity protection solutions, which include services which monitor for indicators of personal identifiable information misuse, alert consumers when relevant activity is detected and offer guidance on the steps to mitigate any damage; (iii) device care solutions, which use automated techniques to optimise device performance, battery life, assist with software/driver updates, and clean-up storage; (iv) connected home security solutions, which are security solutions that seek to protect home networks; (v) cloud back-up solutions, which use the cloud to store copies of files; (vi) parental controls, which allow parents to monitor and limit their children's

- 6.4 However, the term ‘antivirus’ is still widely used by consumers and others: for example, Avast’s internal documents indicate that, [REDACTED]⁹⁸ and ‘antivirus’ is an important keyword for search advertising.⁹⁹
- 6.5 There is some evidence that consumer understanding of CCS solutions is low:
- (a) The consumer body, Which told us that there is a widespread lack of understanding of CCS solutions and that consumer awareness and understanding of the cyber threat landscape is often ‘driven by fear and concern’.¹⁰⁰
 - (b) Which noted that consumers are making ‘slightly more’ informed decisions for endpoint security than they are in other areas such as VPN and identity protection.¹⁰¹
- 6.6 The Parties’ internal documents are consistent with this position. For example:
- (a) Some Avast documents show that [REDACTED].¹⁰²
 - (b) One document notes that [REDACTED].¹⁰³
- 6.7 Regarding customer preferences, one NortonLifeLock document notes that [REDACTED].¹⁰⁴
- 6.8 Avast’s documents also indicate that [REDACTED].¹⁰⁵¹⁰⁶¹⁰⁷

Differentiation within CCS solutions

- 6.9 There is a high degree of product differentiation among CCS solutions offered by different providers. In particular:
- (a) Different CCS solutions may serve similar purposes, for example both VPNs and ad/tracker blocking are designed to protect consumers’ privacy but do so in different ways.

use of internet connected devices; and (vii) password managers, which allow users to store, generate and manage their passwords for local applications and online services. Parties, Final Merger Notice, paragraphs 163-170.

⁹⁸ See Appendix F, paragraph 40.

⁹⁹ See Appendix G.

¹⁰⁰ Which, call note.

¹⁰¹ Which, call note.

¹⁰² Avast, Internal Documents.

¹⁰³ Avast, Internal Document.

¹⁰⁴ NortonLifeLock, Internal Documents.

¹⁰⁵ Avast, Internal Documents.

¹⁰⁶ Avast, Internal Documents.

¹⁰⁷ Avast, response to RFI 3, Avast, Internal Documents,

- (b) Product quality can vary between products.¹⁰⁸
- (c) Products can be offered as standalone solutions or within bundles (see chapter 6).
- (d) The precise composition and quality of CCS bundles varies over time. For example, NortonLifeLock submitted that CCS solution providers are adding more features to bundles to '[redacted]'.¹⁰⁹
- (e) The price of products varies, including that some products are offered free of charge (see below).
- (f) Some CCS solutions are offered on a limited number of operating systems, and some can be used on multiple operating systems and can cover multiple devices. For example, NortonLifeLock's AntiVirus Plus product can only be used on one PC or Mac, while its Norton 360 Advanced product can be used on up to ten devices including PCs, Macs, smartphones or tablets.¹¹⁰

6.10 As we set out in chapter 2, NortonLifeLock software offerings fall into three CCS pillars: security, privacy and identity.¹¹¹ The Parties' submissions and NortonLifeLock's internal documents often discuss CCS providers and CCS solutions within these pillars.

6.11 While we recognise that these are helpful broad descriptions of different offerings, there are some differences in how providers classify products. For example, [redacted].¹¹²

6.12 The Parties have submitted that their offerings are differentiated, that is, the Parties have limited overlap in product features. They also submitted that NortonLifeLock is more focused than Avast on the identity segment.¹¹³

Standalone CCS solutions versus bundles

6.13 Suppliers of CCS solutions told us that CCS solutions may be supplied on a standalone basis (eg an endpoint security solution) or as a bundle of two or

¹⁰⁸ For example, a freelance reviewer said that 'standalone products are typically of a higher quality than those included in bundles of CCS solutions', however perception of value and convenience meant that consumers choose bundles of CCS solutions over standalone CCS solutions. Freelance reviewer, call note.

¹⁰⁹ NortonLifeLock, Main Party Hearing transcript.

¹¹⁰ [Norton Software for 2022 | Norton Products and Services](#).

¹¹¹ Parties, Final Merger Notice, paragraphs 68 to 73.

¹¹² For example, see: NortonLifeLock, Internal Document; and Avast, Internal Document.

¹¹³ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 4.4 [public document].

more CCS solutions (eg endpoint security solution bundled with a VPN).¹¹⁴
Both Parties offer standalone and bundled solutions.

6.14 Bundled CCS solutions which include endpoint security as a core element are sometimes referred to as ‘total security’ or ‘total protection’ solutions.¹¹⁵ The Parties both supply ‘total security’ solutions which incorporate security, privacy, identity, and performance features:

(a) NortonLifeLock offers ‘Standard’, ‘Deluxe’ and ‘Premium’ tiers for its Norton 360 offering, all of which include endpoint security and other CCS features.

(b) Avast launched Avast One in the second half of 2021 as a total security solution. Avast One has free and paid-for versions, both of which include endpoint security and other CCS features (with the paid-for version offering a wider range of features). Prior to the launch of Avast One, Avast’s most comprehensive bundled CCS solution was named ‘Avast Ultimate’ and included endpoint security, privacy, and performance features.

6.15 CCS solution providers typically offer total security solutions to consumers in different tiers, which may include different product features, provide coverage for an increasing number of devices, including cross-platform, and include other security-related add-ons.

6.16 There has been a trend towards providers supplying bundled CCS solutions. For example, a competitor [REDACTED] said that consumers want a ‘one stop shop’ for their online protection and the industry is moving away from sole antivirus coverage to bundled packages.¹¹⁶

6.17 Evidence from third parties shows that consumers often prefer total protection products because they are simpler, more convenient and interoperability is better.

(a) A competitor, [REDACTED] told us that customers are often unsure of the purpose and functionality of individual protection products and products that combine different elements therefore offer a convenient solution and more extensive protection.¹¹⁷

¹¹⁴ [REDACTED], call note; [REDACTED] call note; [REDACTED] call note.

¹¹⁵ Parties, Final Merger Notice, paragraph 20.

¹¹⁶ [REDACTED], call note.

¹¹⁷ [REDACTED], response to RFI 1.

- (b) An independent testing lab AV-TEST told us that consumers are more likely to purchase a bundled product rather than purchase each product separately.¹¹⁸
 - (c) Other third parties said that there are also advantages to products which cover multiple devices and/or are cross-platform.¹¹⁹
- 6.18 The Parties have submitted that bundles are not a fixed and clearly defined segment in the market and there are a multitude of different product combinations – and providers offer both point solutions and bundles.¹²⁰
- 6.19 Some consumers buy standalone products because they better meet their needs:
 - (a) A freelance reviewer said that standalone CCS solutions are ‘specialist’ but this should not be confused for ‘unknown’ as people who are savvy about these products will ‘go looking for them’. The reviewer also said that consumers are better off buying each protection product separately.¹²¹
 - (b) An Avast internal document notes that [REDACTED].¹²²
- 6.20 Several competitors told us that selling standalone products is a customer acquisition strategy by CCS solution providers and that they are a path to up-selling or cross-selling bundled products or other add-on products for some providers.
 - (a) For example, one competitor [REDACTED] said that standalone products provide the opportunity to up-sell and cross-sell the all-in-one offering at a later date.¹²³
 - (b) Another [REDACTED] told us that suite providers use point solutions as a gateway for customer acquisition and as a path to up-sell into suite products or other add-on point solutions.¹²⁴
- 6.21 We note that upselling and cross-selling products within the same brand gives customers some of the advantages of bundles, even if the products are not

¹¹⁸ AV-TEST, call note.

¹¹⁹ Which told us that in order for CCS providers to compete in the current CCS market, they need to offer enhanced security protection and packages that protect several devices. (Which, call note). A freelance reviewer said that, for users, it is useful to be subscribed to one CCS provider and have all of their devices protected. For example, cross-platform features are desirable for families that use parental controls. (Freelance reviewer, call note).

¹²⁰ Parties, response to the Annotated Issues Statement.

¹²¹ Freelance reviewer, call note.

¹²² Avast, Internal Document.

¹²³ [REDACTED], response to RFI 1.

¹²⁴ [REDACTED], response to RFI 1.

pre-packaged as a bundle. In particular, it is likely to overcome the interoperability issues which may occur with products from different brands. It may also overcome issues with convenience and product awareness. NortonLifeLock submitted that a bundle could be simply that, if you buy standalone products from the same company, it gives you a discount.¹²⁵

6.22 The Parties have submitted that while there is consumer demand for bundles, there is [redacted] demand for standalone products. This has led, for example, to NortonLifeLock [redacted].¹²⁶ Avast has submitted that [redacted].¹²⁷

Paid-for versus free CCS solutions

6.23 Some CCS providers rely on a paid-for, model whereby consumers purchase (sometimes after an initial free trial) CCS solutions, typically on a subscription basis.¹²⁸

6.24 CCS solutions are also distributed under a freemium business model whereby providers offer consumers a base product, such as an endpoint security product, free of charge and then seek to sell other products or services, such as more advanced protection or other CCS solutions.¹²⁹ The freemium business model relies on converting a proportion of free customers to paid.¹³⁰

6.25 There is some evidence that free CCS solutions and paid-for CCS solutions suit different customer groups:

(a) One competitor said it believes that one group of customers are willing to pay for protection from the beginning, while another group of customers seek free protection and only would pay for additional functionalities. The freemium model caters to this latter group of customers as the customers get some features for free and, subsequently, they can pay for the add-ons.¹³¹

(b) A submission from Which described two types of CCS consumers:

(i) ‘Those who will not pay for antivirus and believe it should be free.’

¹²⁵ “Bundle” is a big term: it could be simply that if you buy the same standalone product from the same company I will give you a discount, and that would be a price bundle, all the way to a full common architecture, that you have one single dashboard’. NortonLifeLock, Main Party Hearing transcript.

¹²⁶ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 1.7 [public document].

¹²⁷ Avast, letter to the Inquiry Chair dated 15 July 2022, page 2.

¹²⁸ NortonLifeLock (excluding its Avira brand) and McAfee are examples of paid for or premium CCS solution providers.

¹²⁹ Parties, Final Merger Notice, footnote 9. See also chapter 2.

¹³⁰ CCS solutions can also be offered for free as part of an OS. This is discussed in more detail in paragraphs 6.31-6.37.

¹³¹ [redacted], call note.

- (ii) Those who have always paid for antivirus. It said that this group is likely to renew their paid-for antivirus automatically every year or get a deal from their telecom provider who signs them up to a paid-for product.¹³²

6.26 The evidence available to us shows that there is some competitive interaction between paid-for and free products, both because the supply of free products is a customer acquisition strategy with the view to up-selling or cross-selling a paid-for product, and because free products will constrain paid-for products to some extent (for example, in order to justify charging, suppliers of paid-for products need to demonstrate incremental value over and above free products).

6.27 For example:

(a) A competitor [redacted] said that the pricing model of paid-for CCS solutions is affected by the presence of free providers;¹³³ and

(b) the Parties submitted that Avast [redacted].¹³⁴

CCS solution providers

6.28 There are a wide range of CCS solution providers.

6.29 The Parties have submitted that they face strong competition from a broad array of competitors, including the CCS providers traditionally active in each individual CCS pillar, but also entrants from: (i) adjacent pillars in CCS, (ii) other adjacencies outside CCS, and (iii) start-ups.¹³⁵

6.30 Some CCS solution providers historically provided endpoint security solutions as their core offering. These vary in size, and include, among others, NortonLifeLock, Avast, McAfee, Bitdefender, ESET, Kaspersky, Malwarebytes and Trend Micro.

6.31 A number of these (including, among others, Bitdefender, Kaspersky, McAfee and Trend Micro) provide bundled CCS solutions which are similar to those of the Parties.¹³⁶

¹³² For example, TalkTalk has a deal with F-Secure and Sky has a deal with McAfee. Which, call note.

¹³³ [redacted], call note.

¹³⁴ Parties, response to the Annotated Issues Statement.

¹³⁵ Parties, response to the Annotated Issues Statement.

¹³⁶ The Parties have submitted that multiple competitors offer multi-product bundles, including Bitdefender, ESET, Kaspersky, K7, Malwarebytes, McAfee, Panda, Protected.net/TotalAV and Webroot. Parties, response to the Annotated Issues Statement. We note, however, that the composition of these bundles varies and some do not have such comprehensive offerings as the core bundles offered by the Parties.

- 6.32 Other providers have historically specialised in one or more specific CCS solutions. For example, Nord Security and Express VPN (now owned by Kape) specialise in the supply of VPN products, and Experian specialises in the supply of identity protection solutions.¹³⁷
- 6.33 The Parties have submitted that these providers are broadening, or have the capability to broaden, their offerings of CCS solutions.¹³⁸

CCS solutions built into operating systems

- 6.34 CCS solutions are provided for all of the main operating systems for computers and mobile devices (such as Microsoft Windows, MacOS) and mobile OSs (such as Apple iOS and Google's Android).¹³⁹
- 6.35 Consumers' time spent online is increasingly on mobile platforms:
- (a) Mobile devices, and particularly smartphones, are the most commonly owned devices by UK consumers,¹⁴⁰ and are the most widely used device for accessing the internet. In 2020, 91% of households had a smartphone with internet access, compared with 65% which had tablets and 47% which had desktop computers.¹⁴¹
 - (b) This reliance on mobile devices is also true in terms of time spent online: UK adult internet users spent on average over three and a half hours a day online, with 68% of this time on smartphones, and just 18% and 13% on desktop and tablets respectively.¹⁴²
- 6.36 However, CCS solutions are still primarily focused on computers, and in particular on the Microsoft Windows platform. For this reason, the role of Microsoft, among OS providers, as a potential competitor to the Parties is a particularly important part of our assessment.

¹³⁷ Parties, Final Merger Notice, paragraph 429.

¹³⁸ For example, the Parties submitted that credit bureaux already compete with CCS providers in the important growth area of identity. Moreover, some credit bureaux may well expand their CCS offerings in the same way Aura and now ClearScore have done. Parties, response to the Annotated Issues Statement. The Parties also submitted that suppliers originating in one CCS pillar (eg Aura, Bitdefender, Kape, Lookout, Nord, Panda) can expand into the other CCS pillars often facilitated by white-labelling and licensing. Parties, response to the Annotated Issues Statement.

¹³⁹ For example, both NortonLifeLock and Avast offer their products on a number of OS platforms. Several third parties told us that they offer products on all operating systems. [REDACTED], response to RFI 1, question 14. [REDACTED], response to RFI 1, question 14. [REDACTED], response to RFI 1, question 14. McAfee, response to RFI 1, question 15.

¹⁴⁰ CMA Mobile Ecosystems Market Study [Final report](#), June 2022, paragraph 2.2. Data from [Ipsos MORI report Attitudes Towards IoT Security: Summary Report 2020](#).

¹⁴¹ CMA Mobile Ecosystems Market Study [Final report](#), June 2022, paragraph 2.2. According to Online Nation 2021 report.

¹⁴² Ofcom, Online Nation 2021 report.

- (a) Evidence from the Parties and third parties shows that Microsoft Windows remains the most prominent platform on which CCS providers offer their products,¹⁴³ because, historically, Microsoft's in-built protection was seen as very weak. For example, Microsoft told us that early versions of Windows [REDACTED].¹⁴⁴
- (b) The Parties have told us that they are still very focused on the supply of products for the Microsoft Windows platform. They submitted that [REDACTED].¹⁴⁵
- (c) Avast told us [REDACTED] it focusses on products for laptops and desktops, where Microsoft Windows is the main system, representing around 90% of laptop and desktop devices in most countries including the UK.¹⁴⁶ It has told us that over [REDACTED]% of its revenues come from Windows users.¹⁴⁷

6.37 The OSs provided by Google and Apple have always had built-in CCS solutions, initially endpoint security, but now including other CCS solutions, which are generally not marketed or sold as separate products or applications.

6.38 The Parties submitted that:

- (a) OS providers are offering more CCS features and as such compete with the Parties;
- (b) Apple positions itself as a privacy-centric business and offers several privacy features;¹⁴⁸
- (c) Google also has a VPN, a built-in ad blocker on Chrome and third party browser extensions for additional privacy;¹⁴⁹ and
- (d) the OS providers offer dark web monitoring (available in Microsoft Edge and Google Chrome), as well as password management.¹⁵⁰

6.39 Microsoft has more recently begun to build-in CCS solutions into its operating system and browser. In particular, Microsoft offers consumers a CCS solution, called Microsoft Defender.

¹⁴³ Parties, Final Merger Notice, paragraphs 9 and 185; and Which, call note.

¹⁴⁴ Microsoft, call note.

¹⁴⁵ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 3.17.

¹⁴⁶ Avast, Main Party Hearing transcript.

¹⁴⁷ Avast, Main Party Hearing transcript.

¹⁴⁸ Including an ad blocker on its iOS, anti-track built into its Safari browser; and its Private Relay which provides similar functionality to a VPN.

¹⁴⁹ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 1.5 [public document].

¹⁵⁰ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 1.6 [public document].

- (a) It is pre-installed on devices with Windows 10 and 11 operating systems.¹⁵¹
- (b) It includes core endpoint security as well as parental controls, cloud back-up and password management.¹⁵²
- (c) It continually scans for malware (malicious software), viruses, and security threats, and in addition to real-time protection, updates are downloaded automatically to help keep devices safe and protected from threats.¹⁵³
- (d) It can be operating in active mode (used as the primary antivirus on the device) or passive mode (scanning files and reporting detected threats, but not remediating, when there is another primary antivirus solution on the device).¹⁵⁴
- (e) Its technical capability, in terms of how well it performs on independent technical tests¹⁵⁵ which assess protection, performance and usability has been high for the last few years.
- (f) Third party comparison and review sites usually include Microsoft Defender, although it is not always covered in 'best buys'.

6.40 Microsoft has told us that the primary reason for Microsoft seeking to develop its CCS offering is to compete with other OS providers. Microsoft submitted that it needs to provide a level of security to meet customer needs and that Windows needs to be secure in order to be a valuable and competitive operating system.¹⁵⁶

6.41 Microsoft has recently launched two new CCS solutions, both of which are supplied as part of other products:

- (a) In June 2022, Microsoft launched Microsoft Defender for Individuals as part of its M365 subscription¹⁵⁷ in the UK and other countries. Microsoft plans to add additional features to Microsoft Defender for Individuals in response to consumer feedback.¹⁵⁸

¹⁵¹ CMA, [phase 1 Decision](#), 16 May 2022, paragraph 35 (c) [public document].

¹⁵² Parties, Final Merger Notice, paragraphs 283 and 301-311. We understand that 'Windows Defender', 'Microsoft Defender' and 'Defender' are sometimes used interchangeably to describe Microsoft's built-in Windows endpoint security offering. We refer solely to Microsoft Defender for ease of reference; for enterprise customers Microsoft Defender is available on other OS platforms.

¹⁵³ [Stay protected with Windows Security \(microsoft.com\)](#).

¹⁵⁴ [Microsoft Defender Antivirus in Windows | Microsoft Docs](#). Microsoft Defender also has a third mode: Disabled or uninstalled, and in this mode files are not scanned and threats are not reported or remediated.

¹⁵⁵ [AV-TEST Seal of Approval | AV-TEST Institute](#) and [SE Labs](#).

¹⁵⁶ Microsoft, call note.

¹⁵⁷ M365 includes Word, Excel, PowerPoint, Outlook and OneDrive with cloud storage.

¹⁵⁸ Microsoft, Internal Document.

(b) For its Edge browser, Microsoft launched a free preview¹⁵⁹ version of Microsoft Edge Secure Network ('Microsoft Edge VPN') in the UK and other countries in April 2022.¹⁶⁰ Microsoft Edge VPN only works on Edge (which is pre-installed on Windows devices), and cannot be used with other browsers.

6.42 The launch of these applications brings Microsoft closer to the Parties' CCS offerings: Microsoft is offering protection across multiple devices and across operating systems through Microsoft Defender for Individuals and has plans to add additional features.¹⁶¹

6.43 In addition, Microsoft Edge's VPN may be an alternative for some users of the Parties' VPNs, albeit that it has limited functionality.

Parameters of competition

6.44 This section considers the competitive parameters that are most important to the process of competition in CCS solutions. On the basis of the evidence set out below, we consider that CCS providers compete over product development, quality, customer acquisition and price.

Product development

6.45 As noted above, the range of CCS solutions has evolved significantly in recent years. We have been told that CCS solution providers are expanding their product lines,¹⁶² in particular beyond endpoint security and providers are moving to offer comprehensive, all-in-one solutions that guard against the full range of online threats.¹⁶³ For example, Avast launched Avast One in the second half of 2021 as a total security solution incorporating security, privacy, and performance elements.

6.46 CCS solution providers have told us that they are developing new features and/or launching new bundles with expanded feature sets. This seems to be an important aspect of competition to attract and retain customers. For example:

(a) NortonLifeLock has recently launched an anti-track product;¹⁶⁴

¹⁵⁹ Preview features are services that are in development and are made available on a 'preview' basis so users can get early access and send feedback.

¹⁶⁰ [Use the Microsoft Edge Secure Network to protect your browsing.](#)

¹⁶¹ Microsoft, Internal Document.

¹⁶² [REDACTED], call note.

¹⁶³ [REDACTED], response to RFI 1.

¹⁶⁴ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 1.5(d) [public document]

(b) Another provider [REDACTED] said it is planning to launch a Password Management and ID Protection solution in 2022 which will be available bundled with other CCS solutions (as well as standalone);¹⁶⁵

(c) Another provider [REDACTED] said that it constantly updates its products and launches new features;¹⁶⁶ and

(d) Another provider [REDACTED].¹⁶⁷

6.47 Subscription licences for paid-for CCS solutions also now cover more devices.¹⁶⁸

6.48 The Parties have submitted evidence that there is competition to develop and launch new products and/or add new features to existing products and that CCS bundles have gone through significant changes recently:

(a) Avast One (with a basic version offered as a freemium bundle, alongside a premium paid-for version) has been added to Avast's product portfolio;

(b) NortonLifeLock now offers products such as Dark Web Monitoring and Identity Advisor;

(c) Nord now offers a security product;

(d) Bitdefender now has an identity theft protection and restoration product; and

(e) Microsoft Defender for Individuals has been launched (see above).¹⁶⁹

Quality

6.49 We have seen some evidence that products, particularly endpoint security products, need to meet minimum technical standards in order for them to be attractive to customers.

6.50 There are independent testing labs such as AV-Test and SE Labs who assess the quality of products. Products need to score highly in order to be recommended to consumers. For example:

¹⁶⁵ [REDACTED], response to RFI 1.

¹⁶⁶ [REDACTED], response to RFI 1.

¹⁶⁷ [REDACTED], response to RFI 1.

¹⁶⁸ AV-TEST, call note.

¹⁶⁹ Parties, response to the Annotated Issues Statement.

- (a) One competitor [REDACTED] said that unless a firm has 95-99% virus detection levels then it has not 'earned the right to be in the market'.¹⁷⁰
- (b) An Avast internal document shows that Avast [REDACTED]¹⁷¹ and
- (c) NortonLifeLock's internal documents indicate that [REDACTED].¹⁷²

Customer acquisition

6.51 There is evidence that initial customer acquisition is an important dimension of competition for CCS solution providers. This is because there are high customer retention rates for CCS solutions:

- (a) A third party told us that there are high customer retention rates for CCS solutions, particularly if customers are retained after the first (often discounted) year.
- (b) One competitor estimated that the general retention rate for customers who stay [REDACTED].¹⁷³
- (c) NortonLifeLock's retention rate in 2020 and 2021 was 85%.^{174 175}

6.52 In terms of distribution channels, evidence from the Parties and third parties shows the main distribution channels for CCS solution providers in the UK are as follows:

- (a) Physical retail distribution (eg. the sale of physical CDs in electronics retailers) was an important route to market for consumer endpoint security solution providers, but is becoming less important for at least some providers.¹⁷⁶
- (b) Agreements with OEMs, such as laptop manufacturers, to have their solutions pre-installed on devices.¹⁷⁷

¹⁷⁰ [REDACTED], call note.

¹⁷¹ Avast, Internal Document.

In addition, we note that one document states '[REDACTED]' (Avast, Internal Document).

¹⁷² NortonLifeLock, Internal Document.

¹⁷³ [REDACTED], call note.

¹⁷⁴ [NortonLifeLock 2021 Annual Report](#) [public].

¹⁷⁵ This is consistent with evidence we have seen in NortonLifeLock's and Avast's internal documents. For example, see: NortonLifeLock, Internal Document; and Avast, Internal Document.

¹⁷⁶ For example, Avast discontinued distributing its products via physical retail stores in September 2020 (Parties, Final Merger Notice, paragraph 422(a)). [REDACTED] (Parties, Final Merger Notice, paragraph 44); ESET, call note.

¹⁷⁷ McAfee, call note; and Kaspersky, call note.

(c) Online distribution, typically supported by branding and digital advertising efforts, has significantly increased in importance.¹⁷⁸ CCS solutions may be sold online directly to consumers via their own websites, or indirectly via the online stores of others.¹⁷⁹

(d) In addition, some CCS solution providers distribute their solutions indirectly to consumers via agreements with telecommunications companies, or by white-labelling or licencing their technology to third parties.¹⁸⁰

6.53 The Parties have submitted that they have different customer acquisition models where Avast's model is to attract free users and then seek to up-sell and cross-sell to them and whereas NortonLifeLock goes to market as a premium offering, with [REDACTED] its users acquired directly as paid customers.¹⁸¹

6.54 The freemium model typically depends on online distribution to build up the large base of free users and as such branding and digital advertising are important for providers using the freemium model. Once a provider has attracted free users, it can then take a more targeted approach to up-selling products to those users, for example Avast told us that it [REDACTED]¹⁸²

Price

6.55 There is some evidence of price competition, albeit it appears to be less important than competition in respect of innovation, range and quality.¹⁸³

6.56 Price competition appears to be more important when consumers first purchase the product, rather than at renewal.

6.57 The Parties have submitted that their survey evidence shows that price is an important parameter for customers choosing CCS solutions. For example, a NortonLifeLock document notes that [REDACTED].¹⁸⁴

6.58 For paid-for products, many providers have an initial discounted price for the first year of a contract, followed by a substantially higher renewal price. The Parties submitted that [REDACTED].¹⁸⁵

¹⁷⁸ ESET, call note; Kaspersky, call note; Avast stated to the CMA that the 'vast majority of [its] sales occur online' (Parties, Final Merger Notice, paragraph 260).

¹⁷⁹ [REDACTED], call note.

¹⁸⁰ For example, [REDACTED]; see Parties, Final Merger Notice, paragraph 422(c) and (d).

¹⁸¹ Parties, response to the Annotated Issues Statement.

¹⁸² Parties, Final Merger Notice, paragraph 91.

¹⁸³ In particular we note that the Parties appear to monitor the product features and product strategies of competitors more so than their prices (see Chapter 7).

¹⁸⁴ NortonLifeLock, Internal Document.

¹⁸⁵ RIS, Internal Document. Parties, response to the Annotated Issues Statement.

7. Competitive assessment

- 7.1 We have looked at whether the Merger would lead to a significant reduction in competition between the Parties by removing an important competitor and, in doing so, whether the Merged Entity would be likely to worsen its offering compared to the situation if the Merger did not take place. This is a horizontal, unilateral effects theory of harm.
- 7.2 This chapter covers our investigation of that theory of harm, in terms of:
- (a) The key evidence we have reviewed, including shares of supply and market trends; our assessment of the Parties' internal documents; evidence from third parties; assessment of online search advertising; and an analysis of customer switching between the Parties.
 - (b) The competitive assessment and our conclusions.

Shares of supply and market trends

- 7.3 As set out in Chapter 5, we have concluded that the relevant market is the supply of CCS solutions in the UK.
- 7.4 As part of our assessment of the Merger giving rise to horizontal unilateral effects, we have calculated shares of supply by revenue and volume in the supply of CCS solutions in the UK using data submitted by the Parties and third party suppliers.
- 7.5 However, since this is a market with a high degree of differentiation between products and suppliers, with new products developed at pace, and the market boundaries are not clear-cut, we have relied to a greater extent on other sources of evidence on closeness of competition between the Parties and their competitors, as set out in this chapter.¹⁸⁶

Our estimates of shares of supply and analysis of market trends

- 7.6 Based on the available data, we have estimated shares of supply of paid-for CCS solutions offered by CCS providers with an endpoint security offering in the UK. Our estimates of shares of supply of paid-for CCS solutions show that:

¹⁸⁶ MAGs, paragraph 4.15.

- (a) NortonLifeLock (including Avira and BullGuard) and Avast (including AVG) were the second and third largest suppliers, behind McAfee, of paid-for CCS solutions in the UK in each year from 2018 to 2021; and
- (b) The supply of paid-for CCS solutions in the UK is primarily concentrated among these three suppliers, with a combined share of between [60-70]% and [80-90]% across years and whether considered on a revenue or volume basis. Almost all remaining paid-for CCS providers have shares between [0-5]%, and the vast majority below [X]% by revenue and below [X]% by volume. However, collectively their share grew between 2018 and 2021 and accounted in 2021 for [10-20%] [X]% of paid-for CCS.

7.7 In addition, we have found that:

- (a) the use of Microsoft Defender as a free, in-built CCS solution is very large and has increased substantially, by [X]%, in the past three years; and
- (b) the Parties have [X] in recent years, in particular Avast and AVG's free customer bases [X].

7.8 Due to various data limitations, we have estimated shares of supply of paid-for CCS solutions only and have not been able to accurately estimate Microsoft Defender's share of supply.¹⁸⁷ However, we have used data submitted by Microsoft to infer how widespread the use of Microsoft Defender is, and also analysed trends in the Parties' revenues, customer volumes, and new subscriptions to provide context for our shares of supply.

7.9 Moreover, our share of supply analysis does not include CCS providers without an endpoint security offering, for example, providers of VPN and identity protection only. We recognise that the Parties face a varying degree of constraint from different types of CCS providers. The constraint from these providers is considered in the competitive assessment set out below.

The Parties' views

7.10 The Parties submitted that the shares of supply we have calculated:¹⁸⁸

- (a) Are based on CCS providers who have an endpoint security offering, and so do not account for the constraint imposed on the Parties by standalone providers of, for example, VPN or identity protection services;¹⁸⁹

¹⁸⁷ See Appendix D for more detail.

¹⁸⁸ The Parties' made several additional points regarding our estimates of shares of supply. See Appendix D for a more detailed description of our methodology and its limitations.

¹⁸⁹ Parties, response to the Working Papers; and Parties, response to the Annotated Issues Statement.

- (b) do not capture the presence of Microsoft, or, because of the focus on paid-for products, the constraint of free products more generally;¹⁹⁰
- (c) are backward looking and do not fully capture current competition because a large proportion of volumes and revenues are from historic customer acquisition, or future competition that the Parties submit will arise from Microsoft's expansion in the CCS market;¹⁹¹ and
- (d) do not consider the Parties' different routes to market for paid customers.¹⁹²

7.11 The Parties further submitted that Avast's business model involves up-selling paid-for products to its free customers, and that approximately [X]% of its antivirus customers were up-sold in this way.¹⁹³

7.12 As a result, the Parties submitted that our analysis of shares of supply in paid-for products does not capture the potentially large impact of Microsoft Defender on Avast's paid customer base [X]¹⁹⁴ [X].¹⁹⁵

Our assessment

7.13 We have considered the Parties' submissions and note the following points.

7.14 First, as outlined above, although we calculated shares of supply for paid-for products including only CCS providers with an endpoint security offering, we consider this subset of suppliers to exert a stronger competitive constraint on the Parties. Moreover, we expect that including revenues from, for example, VPN suppliers would not materially change the conclusions we draw from our analysis, given the revenues of these providers are significantly lower than the Parties' (and McAfee's) revenues.¹⁹⁶

7.15 Second, while we have not been able to estimate the present share of supply of Microsoft in the supply of CCS solutions, we have used the data available to us – both telemetry data on the usage of Microsoft Defender and the Parties' customer volumes and revenues over time – to provide context for our estimates.

¹⁹⁰ Parties, response to the Annotated Issues Statement; and Parties, response to the Working Papers.

¹⁹¹ Parties, response to the Annotated Issues Statement; and Parties, response to the Working Papers.

¹⁹² Parties, response to the Annotated Issues Statement; and Parties, response to the Working Papers.

¹⁹³ Avast, response to RFI 4, question 1.

¹⁹⁴ Parties, response to the Issues Letter, paragraphs 5.1-5.5(a) (page 30); and Parties, response to the Annotated Issues Statement.

¹⁹⁵ Parties, response to the Annotated Issues Statement; and Parties, response to the Working Papers.

¹⁹⁶ CMA, [phase 1 Decision](#), 16 May 2022, Annex A. Table 7 [public document].

7.16 Finally, given the CCS market is characterised by a high degree of differentiation between products (free versus paid-for; bundles versus standalone solutions) and providers (including in terms of their routes-to-market) and the market boundaries are not clear cut, we have interpreted our estimates of shares of supply alongside other evidence on closeness of competition, including the constraint from Microsoft and from providers of free products more generally. As part of our assessment, we have also considered recent product developments and how competitive constraints on the Parties may change in the future.

Shares of supply for paid-for products by revenue

- 7.17 We have estimated shares of supply for paid-for CCS solutions by revenue among CCS providers with an endpoint security offering in each year from 2018 to 2021, see Table 1 below.¹⁹⁷ The shares are calculated based on revenues generated from all CCS solutions.
- 7.18 Our estimates show that McAfee (with a share of supply ranging from [30-40]% to [30-40]%) remained the largest CCS provider from 2018 to 2021, and that NortonLifeLock ([20-40]% to [30-40]% including BullGuard and Avira¹⁹⁸) and Avast ([20-30]% to [20-30]% including AVG) were the second and third largest suppliers in each year respectively. Combined, NortonLifeLock (including BullGuard and Avira) and Avast have accounted for between a [40-50]% and [50-60]% share of supply between 2018 and 2021, however their shares, [X] combined, decreased over the period.¹⁹⁹ All the remaining paid-for CCS providers have shares of supply below 5%, with the vast majority being below [0-5]%.
- 7.19 During the period 2018 to 2021, almost all CCS providers' revenues grew. However only one CCS provider [X] saw a substantial increase in its share of supply. Its share grew from [0-5] [X]% in 2018 to [0-5] [X]% in 2021.

¹⁹⁷ Although we have data from the Parties for revenues in 2017, we did not have sufficient third party responses to calculate comparable shares for that year.

¹⁹⁸ We note that NortonLifeLock did not acquire the Avira and BullGuard brands until January 2021: Parties, Final Merger Notice, paragraph 66.

¹⁹⁹ We note that Avast's share by revenue in Table 1 [X].

Table 1: Estimated shares of supply by revenue in the UK for paid-for CCS solutions, 2018 to 2021

Provider	Calendar year				Revenue Growth
	2018	2019	2020	2021	
	%				
NortonLifeLock Total	[30-40]	[30-40]	[20-30]	[20-30]	[X]
<i>Norton & LifeLock</i>	[30-40]	[20-30]	[20-30]	[20-30]	[X]
<i>BullGuard</i>	[0-5]	[0-5]	[0-5]	[0-5]	[X]
<i>Avira</i>	-	[0-5]	[0-5]	[0-5]	[X]
Avast (inc. AVG)	[10-20]	[10-20]	[10-20]	[10-20]	[X]
Parties Combined	[50-60]	[50-60]	[40-50]	[40-50]	[X]
McAfee	[30-40]	[30-40]	[30-40]	[30-40]	[X]
Aura	-	-	[0-5]	[0-5]	[X]
Bitdefender	[0-5]	[0-5]	[0-5]	[0-5]	[X]
ESET	[0-5]	[0-5]	[0-5]	[0-5]	[X]
F-secure	[0-5]	[0-5]	[0-5]	[0-5]	[X]
J2 Global	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Kape Technologies	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Kaspersky	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Malwarebytes	[0-5]	[0-5]	[0-5]	[0-5]	[X]
OpenText	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Panda	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Sophos	[0-5]	[0-5]	[0-5]	[0-5]	[X]
TotalAV	[0-5]	[0-5]	[0-5]	[0-5]	[X]
TrendMicro	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Total supply by revenue (£000s)	[X]	[X]	[X]	[X]	[X]

Source: CMA analysis of data submitted by the Parties' and third parties' (third parties: responses to the phase 2 RFI 1; NortonLifeLock: NortonLifeLock, Internal Document. BullGuard: NortonLifeLock, Internal Document. Avira: Internal Document; Avast: Avast, Internal Document). Aura did not provide data for 2018 or 2019 and [X]: NortonLifeLock, Internal Document. There were insufficient third party responses to estimate comparable shares of supply for 2017. We note that NortonLifeLock did not acquire the Avira and BullGuard brands until January 2021: Parties, Final Merger Notice, paragraph 66.

Shares of supply for paid-for products by volume

7.20 We have also estimated shares of supply of paid-for CCS solutions by volume among CCS providers with an endpoint security offering in each year from 2018 to 2021, see Table 2 below. The shares are calculated based on sales of products with an endpoint security component, including products in which endpoint security is bundled with other CCS solutions (for example where an antivirus product is sold together with a VPN product). However, we do not

consider that estimating volume shares on this basis – as opposed to volume shares of all CCS solutions - materially affects our conclusions.²⁰⁰

Table 2: CMA estimates of shares of supply by volume in the UK for paid-for consumer endpoint security products, 2017 to 2021

Provider	Calendar year					Volume growth	
	2017	2018	2019	2020	2021	2017-2021	2018-2021
	(%)						
NortonLifeLock Total	[20-30]	[20-30]	[20-30]	[20-30]	[20-30]	[30-40]	[30-40]
Norton & LifeLock	[20-30]	[20-30]	[20-30]	[20-30]	[20-30]	[30-40]	[30-40]
BullGuard	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
Avira	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
Avast	[10-20]	[10-20]	[10-20]	[10-20]	[10-20]	[30-40]	[30-40]
Combined	[30-40]	[40-50]	[40-50]	[30-40]	[30-40]	[30-40]	[30-40]
McAfee	[40-50]	[40-50]	[40-50]	[40-50]	[40-50]	[30-40]	[30-40]
Kaspersky	[10-20]	[5-10]	[5-10]	[5-10]	[5-10]	[30-40]	[30-40]
Aura	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
Bitdefender	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
Eset	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
F-Secure	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
Kape	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
Panda	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
Sophos	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
TotalAV	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
TrendMicro	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[30-40]	[30-40]
Total supply by volume	[30-40]	[30-40]	[30-40]	[30-40]	[30-40]	[30-40]	[30-40]

Source: CMA analysis of data submitted by the Parties' and third parties' (third parties: responses to RFI 1; NortonLifeLock: Internal Documents. BullGuard: Internal Documents. Avira: Internal Documents; Avast: Avast, Internal Document. [~~30-40~~]). There were sufficient third party responses on customer volumes to estimate comparable shares of supply for 2017. We note that NortonLifeLock did not acquire the Avira and BullGuard brands until January 2021: Final Merger Notice, paragraph 66. There are fewer suppliers in Table 2 than Table 1 due to non-response.

7.21 The estimates in Table 2 show that our findings on the Parties' position in the supply of paid-for CCS solutions, individually and in combination, is similar when looking at volume shares and revenues (Table 1). The Parties are, again, the second and third largest suppliers after McAfee, and together accounted for [30-40] [~~30-40~~]% of the supply by volume in 2021. However, as was the case with revenues in Table 1, the Parties' volume share has [~~30-40~~] in recent years, [~~30-40~~] in terms of volumes. Kaspersky ([5-10]%) has a larger share by volume than revenue, however all remaining competitors again have a share of [0-5]%, with the majority being below [0-5] [~~30-40~~]%.

²⁰⁰ The shares are calculated based on products with an endpoint security component due to our data collection methodology. Comparing Table 1 and Appendix D Table 2 shows that our estimates of shares of supply are not materially different when considering shares of supply using revenue generated from endpoint security products (including those that bundle antivirus with other functionalities). We have no reason to suspect this would be different in the case for shares of supply based on customer volumes. Table 2 includes only eleven of the fourteen suppliers in Table 1 due to non-response to the relevant question. However, the group in Table 2 includes suppliers of consumer endpoint security products who had a combined share of supply of [~~30-40~~]% by revenue in 2021. We also have sufficient data available to include comparable estimates of volume shares in 2017.

Supply of Microsoft Defender and its potential effect on the Parties' shares of supply

- 7.22 We noted above that our estimates of shares of supply do not include Microsoft Defender or other free products. In order to understand how our estimates fit in the context of wider market trends, we have analysed the Parties' product level customer volumes and, to the extent we consider it possible, the telemetry data submitted to us that measures the use of Microsoft Defender on Windows Devices.²⁰¹ Table 2 above shows that between 2017 and 2021, NortonLifeLock (including BullGuard and Avira) and Avast (including AVG) [REDACTED] in their endpoint security customer numbers of [REDACTED]% and [REDACTED]% respectively.
- 7.23 Focussing on standalone antivirus products, Avast (including AVG) [REDACTED]. [REDACTED], we are not able to make a similar comparison (focussing on standalone antivirus) for NortonLifeLock.
- 7.24 We found a similar trend when considering new customer volumes. [REDACTED].²⁰² Again, [REDACTED] was most pronounced for [REDACTED], with new free subscriptions [REDACTED]% between 2018 and 2021.²⁰³ Over the same period, [REDACTED], we found that the Parties' revenues [REDACTED] (see Table 1 and Appendix D). The Parties submitted that [REDACTED].²⁰⁴
- 7.25 At the same time, the telemetry data submitted to us shows that between March 2019 and March 2022 the monthly average number of devices for which Microsoft Defender was the sole CCS solution increased very sharply (by [REDACTED]%), from [REDACTED] devices in the UK, showing Microsoft's reach with Microsoft Defender is very large and growing strongly.²⁰⁵ However, based on the data available, it is not possible to estimate the extent to which the growth in usage of Microsoft Defender is the result of customers switching away from the Parties or other CCS providers, or an expansion of the CCS market.
- 7.26 The Parties submitted that Avast One was launched in the last quarter of 2021 [REDACTED].²⁰⁶ We note that the introduction of this product [REDACTED], with [REDACTED]% of Avast's paid and [REDACTED]% of its free customers currently subscribing to Avast One.

²⁰¹ The data also contains information on third party antivirus software installed on Windows devices, however, for reasons outlined in Appendix D, we were not able to meaningfully interpret this data in the context of shares of supply.

²⁰² The Parties have submitted [REDACTED]: NortonLifeLock, Main Party Hearing transcript.

²⁰³ Data on Avast's [REDACTED]. Source: CMA analysis of Avast, Internal Document.

²⁰⁴ Parties, response to the Annotated Issues Statement, 6 July 2022, footnote 12.

²⁰⁵ See Appendix D for more detail on the telemetry data.

²⁰⁶ Parties, response to the Annotated Issues Statement.

Parties' internal documents

- 7.27 We have assessed internal documents from each Party in order to see how they view competition with each other and with other suppliers of CCS solutions. This section sets out our analysis of what the Parties' internal documents show in terms of the competition they face.
- 7.28 We first summarise the Parties' views on internal documents and then set out our assessment of what the Parties' internal documents show about (a) competition between the Parties and (b) competition between the Parties and third parties.²⁰⁷

The Parties' views

- 7.29 In relation to their internal documents the Parties submitted that:
- (a) As well as each other and McAfee, the Parties' internal documents show that they monitor various other CCS providers, including close monitoring of [REDACTED];²⁰⁸
 - (b) 'both Parties monitor McAfee and other CCS providers, [REDACTED]';²⁰⁹
 - (c) the documents reflect '[REDACTED]';²¹⁰
 - (d) the Parties rarely '[REDACTED]';²¹¹
 - (e) 'It is also notable that the internal documents of both NortonLifeLock and Avast that relate to their overall strategic direction [REDACTED]'.²¹²

²⁰⁷ Our review of the Parties' documents is discussed in more detail in Appendix E – NortonLifeLock internal documents and Appendix F – Avast internal documents.

²⁰⁸ Parties, response to the Annotated Issues Statement.

²⁰⁹ Parties, response to the Annotated Issues Statement.

²¹⁰ Parties, response to the Annotated Issues Statement.

²¹¹ Parties, response to the Annotated Issues Statement.

²¹² Parties, response to the Annotated Issues Statement.

Our assessment

Competition between the Parties

Product strategy and development

- 7.30 Our review of the Parties' internal documents indicates that the Parties (and McAfee) are pursuing a similar product strategy to offer a comprehensive suite of CCS solutions, principally sold as part of a bundle:²¹³
- (a) A number of NortonLifeLock's documents refer to a [REDACTED].²¹⁴
- (b) A number of Avast's documents discuss [REDACTED] from endpoint security to 'total security'. Avast's internal documents view [REDACTED] as 'total security' and 'all in one' products. The term 'total security' is used by Avast to refer to endpoint security offerings that are integrated and bundled with privacy, performance, identity, and other non-endpoint security CCS solutions. Avast's documents indicate that it believes [REDACTED], which it considers to be [REDACTED].²¹⁵
- 7.31 In line with their product strategy, the Parties' internal documents show that they are [REDACTED].²¹⁶ In particular, we found that Avast, which appears stronger in privacy, has recently expanded its range of identity products, while NortonLifeLock, which is stronger in identity due to its LifeLock product, has recently expanded its range of privacy products. In this respect, the Parties' CCS offerings appear to be moving closer together.²¹⁷
- 7.32 The Parties submitted that Avast [REDACTED] and that consequently documents that monitor other CCS bundles alongside Avast One are not informative of closeness of competition between Avast and other CCS providers.²¹⁸
- 7.33 While we recognise that Avast predominantly sells its products on a standalone basis and therefore has a more limited presence in respect of comprehensive CCS bundles, we found that:
- (a) Avast's internal documents indicate that [REDACTED].

²¹³ As discussed in chapter 6, the Parties have submitted that while there is consumer demand for bundles, there is [REDACTED] demand for standalone products. In relation to this, a few NortonLifeLock documents [REDACTED] (See Appendix E). In addition, an Avast internal document notes that [REDACTED] (Avast Internal Document).

²¹⁴ See Appendix E.

²¹⁵ See Appendix F.

²¹⁶ See Appendix E and Appendix F.

²¹⁷ Namely, in 2021 NortonLifeLock launched an anti-track solution and Avast launched an identity theft protection service.

²¹⁸ Avast, response to the Working Papers.

- (b) Avast's internal documents include [REDACTED].²¹⁹
- (c) NortonLifeLock's internal documents [REDACTED].²²⁰
- (d) Avast's business model includes cross-selling standalone CCS solutions to its free endpoint security user base.²²¹ In this respect, it has enabled its customers to consume bundle-like products for some time.

Monitoring and benchmarking

- 7.34 The documents we reviewed show that the Parties monitor competitors across the entire CCS market, including suppliers of standalone security, privacy and identity products.²²² This is consistent with the nature of the Parties' offering, which comprises a wide range of CCS solutions sold on a standalone and a bundled basis.
- 7.35 Notwithstanding this position, we found that [REDACTED].²²³ [REDACTED].
- 7.36 In view of this, the Parties' closest competitors (other than Microsoft which is discussed below) appear to be endpoint security suppliers that offer either a comprehensive suite or bundles of CCS solutions.
- 7.37 In this context, the Parties closely monitor and assess each other's [REDACTED]. For example:
- (a) The Parties benchmark against [REDACTED];
 - (b) They also analyse the extent to which [REDACTED];
 - (c) They also closely monitor [REDACTED].²²⁴
- 7.38 The Parties' monitoring and benchmarking documents show that the Parties have a similar core product offering (particularly in endpoint security and CCS bundles that include endpoint security) and that they compete closely in terms of their product portfolios and, to a lesser extent, on pricing.²²⁵
- 7.39 Overall, the monitoring and benchmarking documents from the Parties that we reviewed indicate that the Parties are among each other's closest competitors.

²¹⁹ Avast, Internal Document.

²²⁰ See, for example: NortonLifeLock, Internal Documents.

²²¹ Chapter 6, See, for example: Avast, Internal Document.

²²² See Appendix E and Appendix F.

²²³ See Appendix E and Appendix F.

²²⁴ See Appendix E and Appendix F.

²²⁵ See Appendix E and Appendix F.

7.40 In particular we have found that:

- (a) Aside from [REDACTED], the Parties appear to monitor each other to a greater extent than other CCS providers.²²⁶
- (b) In a few of NortonLifeLock's documents that monitor competitors, [REDACTED] are described as [REDACTED].²²⁷
- (c) In a few of Avast's documents, [REDACTED] are described as [REDACTED].²²⁸

Competitive pressure faced and competitive strategies

7.41 A few of NortonLifeLock's documents discuss [REDACTED].²²⁹

7.42 For example:

- (a) In the context of discussing [REDACTED].²³⁰
- (b) A few of NortonLifeLock's documents indicate that [REDACTED].²³¹

7.43 Some of Avast's documents indicate that the Avast One bundle is [REDACTED].²³² In particular, one document updating the Avast Board on Avast One notes that [REDACTED].²³³

Competition with other providers of CCS solutions

McAfee

7.44 The internal documents we reviewed show that the Parties [REDACTED].²³⁴

7.45 The Parties' documents that monitor McAfee indicate that [REDACTED].²³⁵

7.46 The monitoring and benchmarking documents we reviewed indicate that McAfee is NortonLifeLock's closest competitor:

- (a) In a number of [REDACTED].²³⁶

²²⁶ See Appendix E and Appendix F.

²²⁷ See Appendix E.

²²⁸ See Appendix F.

²²⁹ See Appendix E.

²³⁰ NortonLifeLock, Internal Document.

²³¹ See Appendix E.

²³² See Appendix F.

²³³ Avast, Internal Document.

²³⁴ See Appendix E and Appendix F.

²³⁵ See Appendix E and Appendix F.

²³⁶ [REDACTED] (NortonLifeLock, Internal Document). Other NortonLifeLock documents that include [REDACTED]: NortonLifeLock, Internal Documents.

(b) One document [REDACTED].²³⁷

7.47 A few of NortonLifeLock's documents [REDACTED].

7.48 The documents also show that the Parties [REDACTED]:

(a) A few of NortonLifeLock's documents [REDACTED].²³⁸

(b) Some of Avast's documents indicate [REDACTED].

Other suppliers of CCS solutions (excluding McAfee)

Other suppliers of endpoint security

7.49 The documents we reviewed show that the Parties regularly monitor other suppliers of endpoint security, [REDACTED].

7.50 Many of Avast's documents discuss [REDACTED]. Each is monitored as a competitor to the Avast One [REDACTED]. Other suppliers that are monitored, to a lesser extent than [REDACTED] include (but are not limited to) [REDACTED].²³⁹

7.51 [REDACTED] are regularly monitored in NortonLifeLock's documents, [REDACTED]. Other suppliers that are mentioned, to a lesser extent than [REDACTED] include (but are not limited to) [REDACTED].²⁴⁰

7.52 In the documents we reviewed that assess other suppliers of endpoint security, we found that:

(a) Other suppliers of endpoint security, [REDACTED]. In addition, we found that [REDACTED].²⁴¹

(b) NortonLifeLock extensively monitors [REDACTED]. NortonLifeLock monitors [REDACTED].²⁴²

(c) The Parties face competitive pressure to maintain the scores that they are awarded by antivirus testing labs. In particular, an Avast internal

²³⁷ [REDACTED] (NortonLifeLock, Internal Document).

²³⁸ For example: NortonLifeLock, Internal Document.

²³⁹ See Appendix F.

²⁴⁰ See Appendix E.

²⁴¹ By way of example: NortonLifeLock, Internal Document; Avast, Internal Document; and Avast, Internal Document.

²⁴² For example: NortonLifeLock, Internal Document.

document shows that [REDACTED].²⁴³ Notwithstanding this, NortonLifeLock's internal documents indicate that there [REDACTED].²⁴⁴

Other suppliers of CCS solutions (excluding suppliers of endpoint security)

7.53 The documents we reviewed show that the Parties regularly monitor suppliers of standalone, non-endpoint security CCS solutions [REDACTED]. This includes monitoring in respect of their [REDACTED].²⁴⁵

7.54 In particular, we have found that:

(a) NortonLifeLock's documents [REDACTED]. In addition, a number of NortonLifeLock's documents include [REDACTED]. A few of NortonLifeLock's monitor [REDACTED].²⁴⁶

(b) A number of Avast's documents monitor [REDACTED].²⁴⁷

7.55 We found that the Parties' monitoring of other non-endpoint security CCS providers is [REDACTED].

7.56 Notwithstanding this position, we have identified a small number of internal documents that evidence a competitive dynamic between the Parties' CCS bundles and suppliers of standalone CCS solutions.²⁴⁸ For example, we found that:

(a) A few of NortonLifeLock's internal documents [REDACTED]. In particular, NortonLifeLock monitors [REDACTED].²⁴⁹

(b) [REDACTED] NortonLifeLock document monitors [REDACTED].²⁵⁰

²⁴³ Avast, Internal Document.

In addition, we note that one document states '[REDACTED]' (Avast, Internal Document).

²⁴⁴ NortonLifeLock, Internal Document.

²⁴⁵ See Appendix E and Appendix F.

²⁴⁶ See Appendix E.

²⁴⁷ See Appendix F.

²⁴⁸ See Appendix E and Appendix F.

²⁴⁹ See Appendix E.

²⁵⁰ NortonLifeLock, Internal Document.

Microsoft

Monitoring and benchmarking

- 7.57 The Parties' internal documents closely monitor [REDACTED] Microsoft Defender and describe it as a [REDACTED].²⁵¹ In particular, we have found that:
- (a) Avast closely monitors Microsoft Defender and [REDACTED].²⁵²
 - (b) Across all of the monitoring and benchmarking documents that we reviewed, Microsoft Defender is typically monitored [REDACTED].
- 7.58 The Parties' internal documents indicate that Microsoft Defender [REDACTED]. We note that most of the documents submitted by the Parties were produced before the launch of Microsoft Defender for Individuals.
- 7.59 In particular, we have found that:
- (a) In NortonLifeLock's documents that assess [REDACTED].²⁵³
 - (b) NortonLifeLock's documents that [REDACTED].^{254, 255}
 - (c) Several documents indicate that [REDACTED].²⁵⁶
 - (d) In Avast's documents that assess [REDACTED].²⁵⁷
 - (e) Some of Avast's documents indicate that the Avast One [REDACTED].²⁵⁸ We infer from this that the Avast One paid-for product is materially differentiated from Microsoft Defender.²⁵⁹
- 7.60 In relation to these documents, we note that any constraint posed by Microsoft Defender (or other free endpoint security suppliers) on Avast's free offering is an indirect constraint in respect of Avast's paid-for products because Avast's customer acquisition primarily relies on up-selling and cross-selling to its free customer base. So, to the extent that Microsoft Defender is a constraint on

²⁵¹ These documents are from a period prior to Microsoft's launch of Microsoft Defender for Individuals and Microsoft Edge VPN. See Appendix E and Appendix F.

²⁵² See Appendix F; Avast, Internal Document.

²⁵³ See Appendix E.

²⁵⁴ See Appendix E.

²⁵⁵ We note that Microsoft's privacy and identity offerings have expanded since the dates of these documents, namely in respect of its Edge browser offering a VPN and Microsoft 365 offering additional privacy and identity solutions (See Chapter 6).

²⁵⁶ NortonLifeLock, Internal Document.

²⁵⁷ See Appendix F.

²⁵⁸ As above, we note that Microsoft's privacy and identity offerings have expanded since the dates of these documents. (See Chapter 6).

²⁵⁹ See Appendix F.

Avast's free offering, it also affects Avast's conversion of its free customers into paid customers.

- 7.61 In this respect, the attractiveness of Avast's paid-for proposition (whether standalone or bundled) is affected by the quality and range of its free offering. Therefore, to the extent that Avast improves its free products to compete with Microsoft Defender or other free endpoint security providers, it also has to improve its paid-for offering to maintain free users' incentives to upgrade to its paid-for products.²⁶⁰
- 7.62 As noted in Chapter 6, the role of Microsoft, among OS providers, as a potential competitor to the Parties is particularly important to our assessment. Notwithstanding this, [REDACTED]. These documents relate to Apple and Google [REDACTED]. We found that Apple and Google [REDACTED].²⁶¹

Microsoft's expansion and new products

- 7.63 The monitoring and benchmarking documents we reviewed show that the Parties have monitored (and continue to monitor) Microsoft's expansion into offering other CCS solutions over a prolonged period and consider it to be a [REDACTED] competitive threat.²⁶²
- 7.64 In particular, we have found the following NortonLifeLock documents that monitor Microsoft's CCS solution expansion plans:
- (a) A NortonLifeLock document [REDACTED].²⁶³
 - (b) A NortonLifeLock document [REDACTED].²⁶⁴

Competitive pressure faced and competitive strategies

- 7.65 The internal documents we reviewed indicate that the Parties face competitive pressure from Microsoft and that [REDACTED]:
- (a) A few of Avast's internal documents discuss [REDACTED] Avast's free customer base.²⁶⁵ One document, [REDACTED].²⁶⁶

²⁶⁰ We note that this reasoning also applies to Avira, Norton's freemium offering.

²⁶¹ See Appendix E and Appendix F.

²⁶² See Appendix E and Appendix F.

²⁶³ NortonLifeLock, Internal Document.

²⁶⁴ NortonLifeLock, Internal Document.

²⁶⁵ See Appendix F.

²⁶⁶ Avast, Internal Document.

- (b) In addition, we found that [REDACTED]NortonLifeLock's documents discuss [REDACTED].²⁶⁷ Another NortonLifeLock document notes [REDACTED].²⁶⁸
- (c) Avast's internal documents show that [REDACTED]. In particular, the documents indicate that Avast [REDACTED].²⁶⁹ Avast's internal documents also show that:
- (i) [REDACTED];²⁷⁰ and
 - (ii) [REDACTED].²⁷¹

7.66 The Parties submitted that, [REDACTED].²⁷²

7.67 In respect of this, we have found that a number of the Parties' documents discuss [REDACTED].²⁷³

7.68 Additionally, some Avast documents indicate that [REDACTED]. For example one document notes that [REDACTED].^{274, 275}

Our assessment of the Parties' internal documents

7.69 The Parties' internal documents show that the Parties compete closely with each other in the supply of CCS solutions and, in particular, in the supply of comprehensive suites or bundles of CCS solutions that include endpoint security.

7.70 The Parties' internal documents indicate that the Parties closely compete over the longer-term development, range and quality of their product offerings and, to a lesser extent, over shorter-term competitive variables, particularly price.

7.71 The documents we reviewed show that the Parties face varying degrees of competition across their CCS offerings from other CCS solution suppliers.

7.72 In particular we found that:

- (a) The Parties compete closely with McAfee in the supply of CCS solutions and in particular the supply of CCS bundles that include endpoint security. McAfee appears to be NortonLifeLock's closest competitor, while Avast

²⁶⁷ NortonLifeLock, Internal Documents.

²⁶⁸ NortonLifeLock, Internal Document.

²⁶⁹ See Appendix F.

²⁷⁰ See paragraph 7.42 and Appendix F.

²⁷¹ See Appendix F.

²⁷² Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 3.8 [public document].

²⁷³ [REDACTED]. See Appendix E and Appendix F.

²⁷⁴ [REDACTED].

²⁷⁵ Avast, Internal Document.

appears to regard both McAfee and NortonLifeLock as its closest competitors.

- (b) The Parties compete with other CCS providers in the supply of CCS solutions to varying degrees. We have found that:
- (i) The Parties monitor a large number of endpoint security providers albeit to a lesser degree than they monitor each other and McAfee. The internal documents show that some of these providers are considered to have similar product portfolios and product strategies to the Parties, particularly in respect of offering comprehensive CCS bundles that include endpoint security. While the way in which these suppliers are monitored does not in all cases support the position that they are important competitors to the Parties in the UK, there appears to be a material degree of competitive pressure in the UK from at least some of these providers who are regularly monitored by both Parties and have similar product portfolios to the Parties.
 - (ii) The Parties regularly monitor suppliers of standalone, non-endpoint security CCS solutions. The nature of this monitoring suggests that the Parties closely compete with these suppliers in respect of the Parties' standalone privacy and identity solutions.
 - (iii) While there might be an element of competition between suppliers of standalone CCS solutions and the Parties' bundled CCS solutions, we have only seen limited evidence of such a competitive dynamic in the Parties' internal documents.
- (c) The Parties perceive Microsoft's established offering (Microsoft Defender), and the potential for it to expand its CCS offering, as a [REDACTED] competitive threat [REDACTED]. In addition, we have found that:
- (i) the Parties' internal documents discuss perceived competitive pressure from Microsoft. [REDACTED].
 - (ii) Microsoft Defender is monitored [REDACTED].
- (d) We have not seen evidence in the Parties' internal documents of a competitive response to the launches of Microsoft's new applications, but these are recent developments (and they were announced after the Merger was in contemplation, which would limit the weight that could ordinarily be placed on any such internal documents in any case).

Avast's surveys

- 7.73 We have reviewed two consumer surveys conducted by Avast as these provide some evidence of customer behaviour, preferences and attitudes towards CCS solutions.²⁷⁶
- 7.74 We consider that the Avast survey of UK CCS users²⁷⁷ is informative of consumer behaviour and preferences (although it cannot be used to estimate diversion). This survey contains evidence indicating that:
- (a) [REDACTED].
 - (b) [REDACTED].
 - (c) [REDACTED].
 - (d) [REDACTED].
- 7.75 The other (Avast One Uninstall) survey's results are consistent with many Avast One free users considering using Microsoft Defender as a potential alternative.
- 7.76 However, we place little weight on this survey's results and do not consider them sufficiently robust to use as evidence of switching intentions in the ordinary course of business. This is mainly because the survey questions prompted users to consider Microsoft Defender (but not other alternatives).²⁷⁸

Third party evidence

- 7.77 In this section we summarise third party views and evidence from third party internal documents which we gathered, including by using our statutory powers. We cover evidence on competition between the Parties, then competition with other suppliers including Microsoft, and finally third party views on the Merger.

Competition between the Parties

- 7.78 Evidence from third parties generally shows that NortonLifeLock and Avast are close competitors. For example:

²⁷⁶ Our assessment is described in more detail in Appendix F.

²⁷⁷ Respondents were [REDACTED], but some were people [REDACTED].

²⁷⁸ See Appendix F.

- (a) One competitor [REDACTED] said that NortonLifeLock is ‘in all likelihood Avast’s biggest competitor’ and Avast is ‘likely the biggest competitor’ of NortonLifeLock.²⁷⁹
- (b) Another competitor [REDACTED] said that NortonLifeLock and Avast ‘exert the most pressure’ in endpoint security and identity protection categories.²⁸⁰
- (c) Another [REDACTED] said that NortonLifeLock, Avast and McAfee are the only scale rivals in paid-for antivirus in the UK today.²⁸¹
- (d) A freelance reviewer said that Avast, AVG and Avira had a good reputation for providing good defence at no cost. They all had strong word of mouth campaigns and if you searched ‘antivirus’, the result would have, for years, brought up one of those three providers.²⁸²

7.79 However, some competitors considered that the Parties were less close competitors to one another than they were to other competitors. For example:

- (a) A competitor [REDACTED] said that Avast was a competitor to NortonLifeLock ‘to a lesser extent’ than McAfee and Kaspersky were.²⁸³ It said it did not consider Avast to be a major competitor in the UK, given its more limited consumer offering.²⁸⁴
- (b) Which (a consumer body which tests CCS solutions) said that Avast’s closest competitor in the UK is Microsoft Defender.²⁸⁵

7.80 In addition, some other third parties noted differences in the Parties’ business models, in particular between their customer acquisition channels. For example:

- (a) A competitor [REDACTED] believed that the user bases of Avast and NortonLifeLock are quite different. It believed that Avast’s userbase consists of a large number of customers seeking a free antivirus product and want to pay as little as possible for protection.²⁸⁶

²⁷⁹ [REDACTED], response to questionnaire.

²⁸⁰ [REDACTED], response to questionnaire.

²⁸¹ [REDACTED], call note.

²⁸² Freelance reviewer, phase 2 call note, 24 May 2022, paragraph 19.

²⁸³ [REDACTED], call note.

²⁸⁴ It also noted that Avast does not sell to business customers.

²⁸⁵ Which, call note.

²⁸⁶ [REDACTED], call note.

(b) AV-TEST noted that NortonLifeLock and Avast have different business strategies: NortonLifeLock has a paid-for business model and Avast has a freemium business model.²⁸⁷

7.81 When asked where consumer customers would switch to if Avast or NortonLifeLock increased their prices, third parties frequently thought that ‘many’ would switch to the other Party.²⁸⁸

7.82 Internal documents from third parties show that they monitor a broad set of CCS providers in some way and a smaller number of providers (including NortonLifeLock and Avast) in more detail, including in comparisons of prices and product features, than providers outside this sub-set.²⁸⁹

Competition with third parties

7.83 There was evidence from third parties which shows that McAfee is a close competitor to the Parties and, in particular, NortonLifeLock.

(a) As stated above, a competitor [REDACTED] said that McAfee, NortonLifeLock and Avast are the only scale rivals in paid-for antivirus in the UK today.²⁹⁰

(b) Another competitor [REDACTED] said that McAfee is a very big competitor and one of the biggest competitors of both NortonLifeLock and Avast.²⁹¹

(c) Another competitor [REDACTED] said that McAfee has a ‘strong position in the UK, a leading position globally with sizable marketing capabilities’ and its portfolio is ‘very close’ to that of NortonLifeLock.²⁹²

(d) Another competitor [REDACTED] said that McAfee (alongside NortonLifeLock) is one of the two big antivirus software companies with large market share.²⁹³

(e) Another competitor [REDACTED] said that customers that were unhappy with a service product by NortonLifeLock would most likely switch to McAfee because it is another well-known big brand.²⁹⁴

²⁸⁷ AV-TEST, call note.

²⁸⁸ See Appendix C.

²⁸⁹ See Appendix C.

²⁹⁰ [REDACTED], call note.

²⁹¹ [REDACTED], response to questionnaire.

²⁹² [REDACTED], response to questionnaire.

²⁹³ [REDACTED], call note.

²⁹⁴ [REDACTED], call note.

- 7.84 Third parties identified a number of other CCS solution providers as competitors to one or both of the Parties.
- (a) For example, [REDACTED] said that Kaspersky is a competitor to NortonLifeLock and other smaller CCS providers are also competitors to a lesser extent.²⁹⁵
 - (b) [REDACTED] said that other antivirus software providers, such as it, are competing with NortonLifeLock and McAfee to gain market share.²⁹⁶
 - (c) A freelance reviewer said that ESET is starting to make more of a name for itself in the consumer antivirus space and K7 Security is an example of a less well-known brand that is also doing well, while also saying that they do not consider F-Secure to be a ‘small provider’.²⁹⁷
- 7.85 Third parties noted the high quality of products provided by other providers of CCS solutions. For example:
- (a) With respect to Kaspersky’s free product, one competitor [REDACTED] said that ‘Reviewers often rate [it] high[ly] as “great protection results in independent tests”’.²⁹⁸
 - (b) Another competitor [REDACTED] said that Kaspersky and Bitdefender are ‘technically strong’.²⁹⁹
 - (c) A CCS solutions review website told us that Bitdefender has a good package.³⁰⁰
- 7.86 Some competitors said that that they have plans for the UK, including new product launches and investment in sales and marketing.
- (a) For example, [REDACTED] told us that it is planning to release a password management and ID protection solution in 2022 which will be available as a standalone product and as part of other bundles.³⁰¹
 - (b) ESET told us that it was investing in sales and marketing development.³⁰²
- 7.87 In relation to competition from Microsoft, we note that most of our engagement with third parties was conducted before the launch of Microsoft

²⁹⁵ [REDACTED], call note.

²⁹⁶ [REDACTED], call note.

²⁹⁷ Freelance reviewer, call note.

²⁹⁸ [REDACTED], response to questionnaire.

²⁹⁹ [REDACTED], response to questionnaire.

³⁰⁰ Which, call note.

³⁰¹ [REDACTED], response to RFI 1, question 5.

³⁰² ESET, response to RFI 1, question 5.

Defender for Individuals. Nevertheless, several third parties told us that Microsoft competes in the supply of CCS solutions, although some noted that the in-built Microsoft Defender product does not have all the features offered by other CCS providers or that it does not compete as strongly for paid-for products compared with free.³⁰³

(a) One competitor [REDACTED] told us that Microsoft Defender is a competitor that exerts pressure on the entire security industry through its control of the operating system.³⁰⁴

(b) On the other hand, another competitor [REDACTED] told us that [REDACTED]³⁰⁵

(c) A freelance reviewer told us that Microsoft Defender provides everything important that anti-malware providers offer, with the exception of some 'bells and whistles' such as webcam protection and system optimisation.³⁰⁶ They also said that, as awareness increases, there are no 'killer features' that Microsoft Defender needs in order for it to pose a threat to other providers.

7.88 Performance in independent technical tests which assess protection, performance and usability shows that Microsoft Defender's technical capability has been high for the last few years.³⁰⁷

7.89 Third party comparison and review sites usually include Microsoft Defender although it does not always feature in 'best buys'.

7.90 Microsoft submitted that it needs to provide a level of security to be competitive with other operating systems and that Windows needs to be secure in order to be a valuable and competitive operating system.³⁰⁸ The importance of security solutions to Microsoft's broader commercial strategy is also highlighted in the company's most recent annual report, in which it notes that it intends to invest a further \$20bn in security solutions over the period from 2022 to 2027.³⁰⁹

7.91 Prior to the launch of Microsoft Defender for Individuals, Microsoft told us that it did not consider Microsoft Defender to be a competitor of Norton and/or Avast on a day-to-day basis. It said that it wants Windows to have the best

³⁰³ See Appendix C.

³⁰⁴ [REDACTED], response to RFI 1.

³⁰⁵ [REDACTED], response to RFI 1.

³⁰⁶ Freelance reviewer, call note.

³⁰⁷ [AV-TEST Seal of Approval | AV-TEST Institute](#).

³⁰⁸ Microsoft, call note.

³⁰⁹ [Microsoft 2021 Annual Report](#), page 5 [public document]. For context, per page 36 of Microsoft's 2021 Annual Report, Microsoft's total Research and Development expenses charged to the Profit and Loss account in the Financial Year 2021 was \$20.7bn.

built-in security possible, but ‘does not mind’ if the user chooses an alternative antivirus provider.³¹⁰

- 7.92 As noted in chapter 6, Microsoft has recently launched two new CCS solutions as part of its other products:
- (a) Microsoft Defender for Individuals, which has additional features to Microsoft Defender and can be used on several devices and on different operating systems. Microsoft Defender for Individuals is included in Microsoft’s M365 subscription; and
 - (b) Microsoft Edge VPN which is included in Microsoft’s browser Edge (and thus pre-installed on Windows devices).
- 7.93 While, as noted above, the vast majority of third party evidence we have received does not reflect views on these new launches, we note that their launch brings Microsoft’s CCS offering closer to the Parties’ CCS offerings. Microsoft provided us with internal documents which show that it [REDACTED].³¹¹
- 7.94 When asked where consumer customers would switch to if Avast or NortonLifeLock increased their prices (see paragraph 7.81), we found that:
- (a) Third parties most frequently mentioned either NortonLifeLock or Avast, Kaspersky and McAfee.
 - (b) Respondents more frequently considered that ‘many’ customers would divert to NortonLifeLock or Avast and McAfee than to Kaspersky.
 - (c) Microsoft and Bitdefender were mentioned relatively frequently (albeit less than the other Party, Kaspersky and McAfee), with most respondents considering that ‘some’ customers would divert to them.
 - (d) A further seven competitors were mentioned at least once.³¹²
- 7.95 We have received internal documents from four CCS solution providers which contain evidence of competitor monitoring, and which show that they monitor NortonLifeLock, Avast and, to a somewhat lesser degree, other CCS providers and Microsoft.³¹³
- 7.96 We have seen evidence that, while they have a smaller share of supply in the UK, some third party providers are businesses that have significant operations

³¹⁰ Microsoft, call note.

³¹¹ Microsoft, Internal Document.

³¹² See Appendix C.

³¹³ See Appendix C.

outside the UK (and, in some cases, a larger market presence in other countries).³¹⁴ We note, on this basis, that the UK market position of these providers should not be taken to mean that they are ‘smaller’ suppliers that might lack certain capabilities or resources typically held by larger suppliers. Further, some third party providers have plans for the UK, including new product launches and investment in sales and marketing.³¹⁵

7.97 The Parties submitted that credit bureaux compete with CCS providers in the ‘important growth area of Identity’ and some credit bureaux ‘may well expand their CCS offerings in the same way Aura and now ClearScore have done’.³¹⁶

7.98 However, the evidence we received from credit bureaux shows that they do not consider themselves to compete closely with the Parties to provide CCS solutions. For example:

(a) One credit bureau [redacted] said that it does not offer ‘typical’ consumer cyber safety products, such as device security (eg antivirus protection), privacy protection (eg VPN), or web browser plug-ins.³¹⁷

(b) Another credit bureau [redacted] noted that activities relevant to CCS solutions are strictly limited and ancillary to its principal business.³¹⁸

Third parties’ views on the Merger

7.99 Third parties had mixed views on the Merger:

(a) Some third parties were unconcerned about the Merger due to the number of competitors in the market;

(b) Some third parties were concerned about a loss of choice for consumers and/or a loss of innovation following the Merger;

³¹⁴ For example, Trend Micro had global revenue of approximately £1.2bn in 2021 ([2021 Fiscal Report](#) translated at the average exchange rate of 151 Yen to GBP for 1 January 2021 to 31 December 2021 see [Bank of England | Database](#)), Kaspersky had global revenue of approximately £555m in 2020 (See page 22 of Kaspersky Labs Limited 2021 Group Accounts available at [KASPERSKY LABS LIMITED filing history - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](#) translated at the average USD to GBP exchange rate of USD1.28 to GBP for the period 1 January 2020 to 31 December 2020) and Aura had global revenues of approximately \$220m (£172m) in 2020 ([Aura Raises a \\$200 Million Series F at \\$2.5 Billion Valuation, Led by Madrone Capital Partners - Oct 19, 2021](#) translated at average USD to GBP exchange rate of USD1.28 to GBP for the period 1 January 2020 to 31 December 2020).

³¹⁵ See Appendix C.

³¹⁶ Parties, response to the Annotated Issues Statement.

³¹⁷ [redacted], call note.

³¹⁸ [redacted], response to RFI 1.

- (c) Some competitors noted that the Merger would allow NortonLifeLock to increase its customer base or consolidate its position in the market.³¹⁹
- (d) We received three submissions from investors in Avast which disagreed with the content and approach of our investigation as set out in our Issues Statement, as it suggested that we would underestimate the importance of OS providers, particularly Microsoft Defender, and that we would overestimate the importance of branding as a barrier to entry and expansion.³²⁰

Our assessment of third party evidence

7.100 Third party evidence generally shows that NortonLifeLock and Avast are close competitors. However, some competitors considered that the Parties were less close to one another than they are to other competitors, and some other third parties noted differences in the Parties' business models, in particular between their customer acquisition channels.

7.101 There was evidence from third parties which shows that McAfee is a close competitor to the Parties and, in particular, to NortonLifeLock.

7.102 Third parties identified a number of other suppliers which compete with one or both of the Parties, and noted the high quality of products provided by other suppliers of CCS solutions.

7.103 Several third parties told us that Microsoft competes in the supply of CCS solutions, although some noted that Microsoft Defender does not have all of the features offered by other CCS providers or that it does not compete as strongly for paid-for products compared with free. We note that this evidence refers to Microsoft's established offer and does not reflect views on Microsoft Defender for Individuals and the Microsoft Edge VPN.

Use of online search advertising by CCS solution providers

7.104 Search engine advertising is an important means of customer acquisition for the Parties and third parties and we consider that it therefore provides some insight into the closeness of competition for new customers:³²¹

³¹⁹ See Appendix C.

³²⁰ Individual A, [response to the Issues Statement](#), 19 May 2022 [public document]. Fund A, [response to Issues Statement](#), 29 July 2022 [public document] and Fund B, [response to Issues Statement](#), 29 July 2022 [public document].

³²¹ Appendix G discusses the Parties and third parties' usage of search advertising in more detail, including the Parties' views on our analysis of search advertising keywords.

- (a) NortonLifeLock's spend on search advertising was [REDACTED]% of its UK marketing spend in FY22;³²² and
- (b) Avast's spend on search advertising was [REDACTED]% of its global marketing spend in 2021.³²³

7.105 In our analysis, both Parties' top 20 UK search advertising keywords by spend for each month for the period January 2020 to March 2022 included a brand owned by the other Party.³²⁴ However, their total spend on other keywords (such as their own brand names or generic terms like 'antivirus') was substantially higher. These other keywords also appeared more frequently and/or were ranked higher.³²⁵

7.106 [REDACTED] appeared in NortonLifeLock's (but not Avast's) top 20 UK search advertising keywords by spend for each month for the period and was ranked [REDACTED] either Party's top 20 UK search advertising keywords by spend for each month for the period.

7.107 In the Parties' analysis of a complete set of each Party's advertising keywords for a shorter time period,³²⁶ [REDACTED]. In particular:

- (a) For NortonLifeLock, [REDACTED].³²⁷ NortonLifeLock's spend on keywords including [REDACTED]% of its spend on all keywords which included [REDACTED].³²⁸
- (b) For Avast, [REDACTED]. Avast's spend also implies that keywords including [REDACTED] are important to Avast, because its spend on these keywords, as a percentage of total spend on search advertising, [REDACTED] keywords.³²⁹

7.108 We note that using other suppliers' brand names as keywords does not seem to be central to the Parties' advertising strategies. Nevertheless, our assessment of online search advertising expenditure supports a finding that the Parties are close competitors, albeit not necessarily each other's closest competitor.

³²² Parties, response to the Working Papers.

³²³ Parties, response to the Working Papers.

³²⁴ The Parties noted that [REDACTED] last appeared in NortonLifeLock's top 20 keywords in June 2020 and that [REDACTED] last appeared in Avast's top 20 keywords in February 2021. Parties, response to the Working Papers.

³²⁵ The Parties submitted that competitor keywords constitute only a small proportion of the Parties' overall spend on search advertising. In particular that only [REDACTED]% of NortonLifeLock's and [REDACTED]% of Avast's UK advertising search spend was spent on competitor keywords. Parties, response to the Working Papers.

³²⁶ Financial year 2022 for Norton and April 2021 to March 2022 for Avast.

³²⁷ Parties, response to the Working Papers.

³²⁸ Parties, response to the Working Papers.

³²⁹ Parties, response to the Working Papers.

Analysis of customer switching between the Parties

The Parties' views

- 7.109 The Parties submitted a large-scale analysis [REDACTED] that aimed to identify customers switching between NortonLifeLock and Avast.³³⁰ [REDACTED].
- 7.110 The switching ratios estimated from this study were low – less than [REDACTED]% from NortonLifeLock to Avast and less than [REDACTED]% from Avast to NortonLifeLock, both globally and in the UK.³³¹
- 7.111 The Parties submitted that this shows that the Parties exert only a limited competitive constraint on one another, in particular because the switching ratios are robust to a wide variety of assumptions on how they are calculated.³³²
- 7.112 To illustrate this, the Parties submitted an extension to the switching analysis that used bespoke survey questions to understand the number of customers leaving the Parties and exiting the market for CCS altogether – a key aspect of the switching analysis about which we raised concerns.³³³ This new analysis did not materially change the results of the study.³³⁴
- 7.113 The Parties further submitted that:
- (a) switching between the Parties at the point of customer retention, as opposed to acquisition, is informative of the competitive constraint the Parties exert on one another, despite the Parties' high retention rates;³³⁵
 - (b) the omission of Avast's free customers from the analysis does not materially limit the evidentiary value of the analysis because the main competitive constraint between the Parties is in the supply of paid-for products.³³⁶

³³⁰ [REDACTED], Internal Document. [REDACTED]. However, we do not consider that this is a substantial limitation. [REDACTED]. Compass Lexecon also analysed the extent of customer overlaps between the Parties by matching [REDACTED], between the Parties' paid subscribers over the entire time period of the data made available for this analysis ([REDACTED]).

³³¹ NortonLifeLock, Internal Document.

³³² Parties, response to the Issues Letter, paragraphs 6.56-6.61 and Figure 6; Compass Lexecon, response to CMA questions; Parties, response to the Working Papers.

³³³ Compass Lexecon, response to CMA questions.

³³⁴ Compass Lexecon, response to CMA questions.

³³⁵ Parties, response to the Working Papers.

³³⁶ Parties, response to the Working Papers.

- (c) it is a financially unattractive proposition to worsen NortonLifeLock's paid-for offering post-Merger in the hope they would capture diversion through Avast's free product;³³⁷ and
- (d) other limitations of the study, for example not having a relative comparison for the switching ratios from third party competitors or the use of [X], do not limit the conclusions that can be drawn about aggregate switching away from the Parties.³³⁸

Our assessment

7.114 Our view is that the Parties' switching analysis has a number of limitations:

- (a) Evidence on switching between the Parties at the point of customer retention only provides a partial view of the competitive constraint the Parties exert on one another.
- (b) We note that the CCS market is characterised by high levels of customer retention. For example, NortonLifeLock's retention rate in FY20 and FY21 was 85%.³³⁹ In this context, we may expect that competition between suppliers primarily takes place at the first point of customer acquisition, while, once customers are acquired, switching rates are relatively low and competition is more limited.
- (c) We note that, while switching ratios in general measure the behaviour of a subset of existing customers (ie those who switch), this feature is more limiting in markets (such as the market for CCS solutions) in which competition primarily takes place at the point of acquisition, given the proportion of customers who eventually switch is particularly small.

7.115 As a result, we currently consider switching ratios to have a limited relevance for understanding the overall constraint that the Parties impose on each other.

7.116 The fact that the analysis does not capture Avast's free customers also means it only provides a partial view of closeness of competition between the Parties.

7.117 While it is primarily the Parties' paid-for offerings that we consider to compete directly with each other, Avast's free product is a significant part of its customer acquisition strategy and, as such, evidence of switching from/to

³³⁷ Parties, response to the Working Papers.

³³⁸ Parties, response to the Issues Letter and Parties, response to the Working Papers.

³³⁹ [NortonLifeLock 2021 Annual Report](#) [public].

these products would be relevant to an assessment of closeness of competition between the Parties.³⁴⁰

(a) In particular, any NortonLifeLock customers who did divert to Avast's free products would be potential future paid Avast customers.

(b) [REDACTED]).

7.118 As such, we would expect some evidence of customers switching between NortonLifeLock paid-for products and Avast free products in response to changes in their relative paid-for and free offerings.

7.119 The Parties' [REDACTED] which was used to calculate the switching ratios, and response rates to their additional bespoke survey questions (which were used to produce an extension of the analysis, as described above) were [REDACTED]% and [REDACTED]% for NortonLifeLock and Avast respectively.³⁴¹

7.120 The Parties have submitted that it would require 'implausibly large' non-response bias to materially change the switching ratios, and that uncertainty regarding the proportion of customers leaving the market 'does not lead to a wide range of plausible values for the switching ratio'.³⁴²

7.121 However, we consider there to be sufficient uncertainty around the representativeness of the Parties' survey to limit the evidentiary weight we can place on the switching analysis.³⁴³

7.122 Together, we consider the above limitations mean we can only place very limited weight on the Parties' switching analysis in assessing closeness of competition between the Parties. Appendix H outlines our assessment of the analysis, including additional concerns to those listed above, in more detail.

Our findings on the competitive assessment

7.123 Our competitive assessment has considered the degree of competition between the Parties and with third parties. We have looked at a range of evidence, which we now consider in the round in order to reach a view on whether the Merger may be expected to result in an SLC in the market for the supply of CCS solutions in the UK.

³⁴⁰ Avast, Main Party Hearing transcript.

³⁴¹ Compass Lexecon, response to CMA questions.

³⁴² Compass Lexecon, response to CMA questions; Parties, response to the Working Papers.

³⁴³ Appendix H outlines our concerns around the survey methodology and potential response rates in more detail. The Parties submitted that they estimate the response rate to NortonLifeLock's original cancellation survey to be around [REDACTED] given the number of responses: Parties, response to the Working Papers.

Shares of supply and market trends

7.124 The shares of supply we have estimated show that the Parties are two of the largest suppliers of paid-for products, in terms of both revenue and volume, and have a significant combined presence.

7.125 As noted above, there are limitations to our shares of supply estimates, in particular:

- (a) There are high levels of product differentiation which means shares alone do not capture closeness of competition;
- (b) They do not include all CCS providers and particularly do not include suppliers who do not offer endpoint security solutions;
- (c) They do not include free products, which is particularly significant given the importance of Microsoft in the provision of CCS solutions; and
- (a) They are backward looking so do not fully capture [X], or the impact (if any) of Microsoft's recent product launches.

Closeness of competition between the Parties

The Parties' views

7.126 The Parties have submitted that:

- (a) The different business models of the Parties (premium vs freemium) mean that they do not compete head-to-head for the majority of their customers.³⁴⁴ In particular, [X].³⁴⁵ Conversely [X] of NortonLifeLock's customers are acquired directly as paid customers and NortonLifeLock uses customer acquisition channels which Avast does not use.³⁴⁶
- (b) the Parties have limited overlap in product features and they have [X]. [X].³⁴⁷ The identity products currently offered by NortonLifeLock and Avast in the UK only share two common features - dark web monitoring and identity theft restoration services.³⁴⁸

³⁴⁴ Parties, response to the Annotated Issues Statement.

³⁴⁵ Parties, response to the Annotated Issues Statement.

³⁴⁶ In particular, for NortonLifeLock, the physical retail channel remains [X]: and is one in which Avast is not present at all. Avast is also not present in the OEM, affiliates or ISP channels, and is hardly present in e-tail - [X]. Parties, response to the Annotated Issues Statement.

³⁴⁷ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 4.4 [public document].

³⁴⁸ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 5.5 [public document].

Our assessment

7.127 The evidence we have seen shows that the Parties are close competitors to one another, albeit that there are differences in their business models and areas of focus.

7.128 In particular we have found that:

- (a) The Parties both offer comprehensive suites and similar bundles of CCS solutions (that include endpoint security). We note that Avast One has been launched more recently than NortonLifeLock's bundles and, to date, it is [REDACTED] of Avast's revenues. However, its model of cross-selling and upselling has enabled its customers to create bespoke bundle-like products for some time. Both Parties are regularly developing and launching new products and/or adding new features to their bundles.
- (b) The Parties' internal documents show that the Parties compete closely with each other in the supply of CCS solutions. In particular, [REDACTED], and they exert competitive pressure on each other.
- (c) Avast's survey of CCS users shows that [REDACTED].
- (d) Evidence from third parties shows that NortonLifeLock and Avast are close competitors. Third parties frequently thought that 'many' customers would switch to the other Party in the event of one Party increasing its prices. However, some competitors considered that the Parties were less close competitors to one another than they were to other competitors and/or noted differences in the Parties' business models.
- (e) Our analysis of both Parties' top 20 UK search advertising keywords by spend showed that each included a brand owned by the other Party, albeit that they accounted for a small proportion of the Parties' spend on search advertising keywords. In the Parties' analysis both Parties appeared in the other's keywords, [REDACTED].

Closeness of competition between the Parties and McAfee

The Parties' views

7.129 The Parties have submitted that McAfee offers [REDACTED]. McAfee is the top supplier in the OEM channel globally (including in the UK). McAfee [REDACTED].³⁴⁹

³⁴⁹ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 3.25 [public document] Parties, [response to the Provisional Findings](#), 9 August 2022, paragraph 2 [public document].

Our assessment

7.130 We have found that McAfee is a close competitor to the Parties and, in particular, it is likely to be NortonLifeLock's closest competitor. As such, we consider that McAfee provides a strong constraint on the Parties. In particular:

- (a) McAfee offers similar CCS bundles to those offered by Parties. McAfee is regularly developing and launching new products and/or adding new features to its bundles.
- (b) The Parties' internal documents show that the Parties compete closely with McAfee in the supply of CCS solutions. In particular, they [REDACTED].
- (c) Avast's survey of CCS users shows that [REDACTED].
- (d) Evidence from third parties shows that McAfee is a close competitor to NortonLifeLock and Avast. Third parties frequently thought that 'many' customers would switch to McAfee in the event of one of the Parties increasing its prices.
- (e) [REDACTED]. [REDACTED].

Closeness of competition between the Parties and other providers of CCS solutions (excluding Microsoft)

The Parties' views

7.131 The Parties have submitted that:

- (a) Other CCS suppliers, provide a wide range of standalone and bundled CCS offerings via a variety of different business models.³⁵⁰
- (b) The CCS market is 'fast evolving' and CCS providers who have focused on growth areas of the market (privacy and identity) are well placed to grow into 'digital life protection' providers.³⁵¹
- (c) Some of the CCS providers with smaller shares within the UK are global competitors with CCS revenues in the hundreds of millions of dollars.³⁵²

³⁵⁰ Parties, response to the Annotated Issues Statement; Parties, [response to the Provisional Findings](#), 9 August 2022, paragraphs 2 and 3.

³⁵¹ Parties, response to the Annotated Issues Statement.

³⁵² The Parties submitted that, for example Trend Micro reported 2020 global revenues of \$1.7 billion, including \$403m in CCS; Kape has recently announced 2021 revenue of c.\$230m and with its acquisitions forecasts 2022 revenue of over \$600m; Bitdefender's revenue is reported to be over \$300 million and Kaspersky's over \$800m, with 400m users. Parties response to the Annotated Issues Statement.

Our assessment

7.132 In the round, we consider that, in addition to McAfee, other providers of CCS solutions (such as Bitdefender, ESET, F-Secure, Kaspersky, Malwarebytes, Nord and Trend Micro), despite having small shares of supply in the UK, provide a range of alternative options for consumers and in aggregate exert a competitive constraint on the Parties. In particular:

- (a) Some of these providers of CCS solutions offer bundles which are similar to those of the Parties and McAfee. In addition, there are providers which offer standalone CCS solutions similar to the Parties' standalone solutions. Some providers' offerings have been identified by third parties as high quality and they are regularly developing and launching new products and/or are adding new features and/or have plans to do so in the UK. Some providers have plans to invest in sales and marketing in the UK. In some cases, products provided by other CCS providers are free.
- (b) The Parties' internal documents show that the Parties [redacted]³⁵³ [redacted]. We consider that the nature and extent of this monitoring implies that a number of competitors exert some competitive pressure on the Parties in terms of price, developing new products and/or improving the quality of products.
- (c) Avast's survey of CCS users shows that [redacted].
- (d) Third parties identified a number of other competitors which were competitors to one or both of the Parties, in particular Kaspersky, ESET, Bitdefender, K7 Security and F-Secure. Third parties frequently thought that 'many' or 'some' customers would switch to Kaspersky in the event of one of the Parties increasing its prices. Third parties relatively frequently thought that 'some' customers would switch to Bitdefender. Several other competitors were mentioned at least once. Third parties also noted the high quality of products provided by other suppliers of CCS solutions.
- (e) The Parties' analysis shows that advertising keywords relating to [redacted] were important for both Parties and that keywords relating to [redacted] were also important for Avast.³⁵⁴

³⁵³ We note that Kaspersky is a Russian provider which has impacted on its brand. For example, Which is currently not giving 'Best Buys' to Kaspersky due to it being a Russian provider (Which, call note).

³⁵⁴ We note that, [redacted] either Party's top 20 UK search advertising keywords by spend for each month for the period January 2020 to March 2022.

Closeness of competition between the Parties and Microsoft

The Parties' views

7.133 The Parties have submitted that Microsoft imposes a current and growing constraint in the CCS market, and the recent launch of Microsoft Defender for Individuals is evidence of its growth trajectory.³⁵⁵

7.134 The Parties have told us that they have [REDACTED]. In particular:

- (a) Avast told us that it '[REDACTED]',³⁵⁶ [REDACTED],³⁵⁷ and
- (b) NortonLifeLock told us that it '[REDACTED]',³⁵⁸ and that it is expecting to announce a [REDACTED];³⁵⁹
- (c) the Parties [REDACTED].³⁶⁰ In particular:
 - (i) '[REDACTED]',³⁶¹ and
 - (ii) [REDACTED];³⁶² and
- (d) [REDACTED].³⁶³

7.135 The Parties have also submitted that [REDACTED].³⁶⁴

7.136 With regard to the new constraint from Microsoft Defender for Individuals, Avast told us that, in the UK around [REDACTED]% of its Premium Security customers and [REDACTED]% of its Antivirus Free users have M365 subscriptions.³⁶⁵

Our assessment

7.137 We have found that, in addition to McAfee and other providers of CCS solutions, Microsoft provides alternative options for consumers which are readily available to a large number of Windows and M365 users (including

³⁵⁵ Parties, response to the Annotated Issues Statement; Parties, [response to the Provisional Findings](#), 9 August 2022, paragraph 2.

³⁵⁶ Parties, response to the Annotated Issues Statement.

³⁵⁷ Parties, response to the Annotated Issues Statement.

³⁵⁸ Parties, response to the Annotated Issues Statement.

³⁵⁹ Parties, response to the Annotated Issues Statement.

³⁶⁰ Parties, response to the Annotated Issues Statement.

³⁶¹ Parties, response to the Annotated Issues Statement.

³⁶² Parties, response to the Annotated Issues Statement.

³⁶³ Parties, response to the Annotated Issues Statement.

³⁶⁴ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, paragraph 3.8 [public document].

³⁶⁵ Avast, response to RFI 4, paragraph 22.

Microsoft Defender, Microsoft Defender for Individuals and Microsoft Edge VPN), and that it exerts a material competitive constraint on the Parties.

7.138 Having reviewed a range of evidence in relation to Microsoft's broader commercial strategy and its plans and projections in relation to its recently-launched CCS applications, we have found that these products bring Microsoft's offering closer to those of the Parties. As such, they are likely to further strengthen the competitive constraint from Microsoft on the Parties going forward, particularly as Microsoft Defender for Individuals develops further and becomes established in the market.

7.139 We set out below our assessment of the evidence on the constraint from Microsoft.

7.140 We have found that Microsoft holds a unique position, given that it is both a provider of CCS solutions and the OS on which the Parties' CCS solutions are most used. As the OS operator, it has a broader, enduring incentive to 'protect' the security of its OS in order to compete with other OS providers.

7.141 We have found that Microsoft already provides an important alternative option for many consumers:

(a) Microsoft has been present in the CCS market for many years with Microsoft Defender. Microsoft Defender's technical capability, in terms of how well it performs on independent technical tests, has been high for the last few years, and in addition, third party comparison and review sites usually include Microsoft Defender in their reviews alongside other CCS providers.

(b) Usage of Microsoft Defender has been increasing since 2017, as evidenced by the sharp growth in number of devices using it as the only antivirus solution.³⁶⁶

(c) The Parties have told us that [REDACTED],³⁶⁷ and their data shows that NortonLifeLock (including Avira and BullGuard) and Avast (including AVG) [REDACTED] and [REDACTED].³⁶⁸ Given Avast uses a freemium business model to acquire customers, we consider that [REDACTED].

(d) Avast's survey of CCS users shows that [REDACTED].

³⁶⁶ Based on telemetry data submitted by Microsoft. We note that the growth is in the context of growing number of Windows devices

³⁶⁷ Parties, response to the Annotated Issues Statement.

³⁶⁸ [REDACTED].

- (e) The Parties' internal documents show that both Parties consider Microsoft [REDACTED].
- (f) We have seen evidence of competitive responses [REDACTED] to Microsoft Defender, in particular:
 - (i) [REDACTED],³⁶⁹ and
 - (ii) Avast has undertaken an advertising campaign that specifically targets consumers that rely on their 'default antivirus' (ie Microsoft Defender) and explicitly advertises the free version of Avast One.³⁷⁰
- (g) We have seen evidence in NortonLifeLock's documents that [REDACTED].
- (h) While Microsoft told us that [REDACTED], it has said that it wants Windows to have the best built in security. Its recent product launches, [REDACTED], show that Microsoft is developing its CCS solutions to be more comprehensive and offer better protection to its users.
- (i) Several third parties told us that Microsoft competes in the supply of CCS solutions, although some noted that Microsoft Defender does not have all features offered by other CCS providers or that it does not compete as strongly for paid-for products compared with free.³⁷¹ On the other hand, one third party [REDACTED] told us that [REDACTED].
- (j) Internal documents provided by third parties show that Microsoft (including Microsoft Defender) is monitored, though not to the same extent as NortonLifeLock, Avast and other providers of CCS solutions.³⁷² Documents monitor Microsoft Defender as well as Microsoft's planned or expected developments.

7.142 Regarding the constraint from Microsoft Defender for Individuals and Microsoft Edge VPN, we have found that:

- (a) These bring Microsoft's offering closer to those of the Parties.
- (b) While there is uncertainty around the extent and speed of their take up, Microsoft has a particularly effective route to market, given that the applications are being added for free to established Microsoft products (M365 and the Edge browser).

³⁶⁹ See Appendix F – Avast internal documents.

³⁷⁰ Parties, [response to the phase 2 Issues Statement](#), 24 May 2022, Figure 10 [public document].

³⁷¹ See Appendix C.

³⁷² See Appendix .

- (c) Given how recently these launches have taken place, we have not observed a competitive response from the Parties. However, the Parties [X], so can be expected to respond to the launch of Microsoft Defender for Individuals and Microsoft Edge VPN. The Parties may have a greater incentive to respond given that these applications are closer to their products than Microsoft's previous CCS offerings.
- (d) Microsoft has an existing and enduring incentive to continue its investment in security solutions, in particular to be able to provide a level of security to be competitive with other OS and to ensure that Windows is sufficiently secure in order to be a valuable and competitive OS.³⁷³ In this regard, Microsoft has stated that it intends to invest a further \$20bn in security solutions over the period from 2022 to 2027 (which is an increase when compared to a total R&D spend of \$5bn in 2021).³⁷⁴

Our conclusion

7.143 In summary, the evidence we have assessed has led us to find that, while the Parties have a strong position among CCS solution providers and compete closely with each other, they also face competitive constraints, to varying degrees, on both their paid-for and free offerings from a range of suppliers, including McAfee, a number of other CCS solution providers and, increasingly, from Microsoft.

7.144 These providers, alongside the Parties, have developed and improved their products over time to meet different and changing customer needs, with a range of alternatives, both free and paid-for, standalone and bundled, available to customers.

7.145 As such, our view is that the Merger is unlikely to give rise to an SLC as a result of horizontal unilateral effects in the market for CCS solutions in the UK.

8. Conclusion

8.1 As a result of our inquiry and our assessment to date, we have concluded that the anticipated acquisition by NortonLifeLock of Avast would result in the creation of a relevant merger situation.

³⁷³ Microsoft, call note.

³⁷⁴ [Microsoft 2021 Annual Report](#), page 5 [public document]. For context, per page 36 of Microsoft's 2021 Annual Report, Microsoft's total Research and Development expenses charged to the Profit and Loss account in the Financial Year 2021 was \$20.7bn.

8.2 We have decided that the anticipated acquisition by NortonLifeLock of Avast may not be expected to result in a substantial lessening of competition as a result of horizontal unilateral effects in the supply of CCS solutions in the UK.