

CMA INVESTIGATION INTO MICROSOFT'S BUSINESS SOFTWARE ECOSYSTEM

Google's response to the CMA's invitation to comment dated 14 May 2026

I. Introduction

1. Google welcomes the opportunity to comment in support of the CMA's Strategic Market Status Investigation into Microsoft's business software ecosystem. As the invitation to comment (the **ITC**) rightly recognises, Microsoft's business software ecosystem forms part of the foundational infrastructure upon which the UK economy operates, with hundreds of thousands of UK businesses relying heavily on its products for their daily commercial activities.
2. Microsoft's control of the primary software ecosystem used by private and public sector customers in the UK, and its status as the foundational gateway for enterprise workflows, means that it is effectively a gatekeeper and uses its entrenched position to steer captive users toward its own cloud and artificial intelligence (**AI**) solutions, rather than allowing rivals to compete on the merits.
3. Addressing this bottleneck is vital to fostering innovation and resilience in the UK, including critical adjacent sectors such as cloud services and AI, thereby unlocking tangible benefits for UK consumers through expanded choice, competitive pricing and higher-quality digital services. Cloud services already underpin the daily operations of millions of UK businesses - representing £10.5 billion in spend in 2024¹ - and AI holds the potential to deliver up to £400 billion in economic value to the UK by 2030.²
4. Given the CMA's conclusive, evidenced-based findings and recommendations in the Cloud Market Investigation (the **Cloud MI**) to the CMA Board, addressing Microsoft's restrictive cloud licensing practices should be the CMA's first priority for this SMS investigation. Ensuring platform neutrality for deploying Microsoft's must-have software - in particular ending discrimination against Listed Providers - is needed to: (a) ensure UK enterprises and public sector organisations have meaningful choice in their IT services; and (b) prevent an entrenched gatekeeper from permanently tipping adjacent digital markets.
5. We anticipate that this SMS investigation will be closely informed by the robust evidence gathered during the Cloud MI (and Ofcom in its preceding market study), and we urge the CMA to leverage those findings efficiently to enact immediate Conduct Requirements (**CR**).

II. Proposed scope of the investigation and candidate descriptions

6. Google supports the CMA's proposed scope to investigate Microsoft's business software ecosystem as a whole. At a minimum, the digital activity should encompass the individual activities set out in the ITC, i.e., productivity software suite, PC operating system (**OS**), server OS, relational database management system, and security software. These software products collectively form the foundational architecture of any functional workplace environment, providing the key levers for Microsoft to entrench its ecosystem dominance and foreclose competition in downstream cloud markets.
7. We would recommend the CMA consider the following points in determining the final designation scope:

¹ CMA, Cloud Infrastructure Services [Final Report](#).

² Google, [How AI can bring new opportunity in the UK](#) (19 September 2024).

- a. **PC OS:** The description of PC OS should be expanded to include services and associated functionalities that enable the functioning of PC OS, including products/services that provide virtual desktop access (such as Desktop-as-a-Service). Capturing this is essential given the rapid shift towards cloud-based infrastructure.
 - b. **Security software:** The scope should be expanded to include the full breadth of Microsoft's security bundling, including Purview and Sentinel, which are similarly subject to Microsoft's broader commercial bundling strategy and self-preferential cross-subsidisation practices, creating financial barriers for the adoption of alternative security products.
 - c. **Microsoft AI offerings:** We agree with the CMA's provisional view that AI assistants and emerging agentic technologies like Copilot fall within the scope of the productivity software suite, and that their relevance to other digital activities should be investigated. In addition to being bundled into Microsoft's must-have productivity software suites, Copilot is already integrated into enterprise user interfaces, identity architecture, and foundational data layers across the ecosystem, acting as a further enterprise lock-in mechanism. We urge the CMA to ensure that the final scope of digital activities is sufficiently comprehensive and rigorously future-proofed to account for rapid technological advancements.
 - d. **Visual Studio developer tools:** In addition to the digital activities already proposed in the ITC, the CMA should also expand its investigation to include Visual Studio, another essential enterprise software that fulfills the same ecosystem function as the other identified activities ("*providing a software environment that enables organisations to perform work tasks effectively, securely and at scale*"), as well as being a key licensing lever which the Cloud MI concluded required further action from the DMU. As the market-leading environment for commercial developers (including in-house developers), it is engineered to prefer proprietary Microsoft frameworks, creating deep technical path dependencies that tie future enterprise applications to Windows, Microsoft 365, and Azure.
8. We strongly support the CMA's proposal to designate Microsoft's business software ecosystem as a single digital activity, which fully reflects the following commercial realities:
- a. Microsoft engineers its products with deep technical interlinkages, while maintaining asymmetric API access to intentionally prevent rival products from interoperating effectively with its ecosystem on fair terms.
 - b. As the ITC rightly identifies, Microsoft's products are marketed together and sold as a "one-stop-shop" to customers, with systematic deployment of bundled pricing and portfolio-wide incentives to distort customer purchasing decisions.
 - c. Access to Microsoft's various digital activities is gated through a single and inescapable identity gateway, specifically Active Directory and Entra ID. This structural chokepoint forces organisations to adopt Microsoft's security layer to use its other software effectively.
 - d. Microsoft ensures its ecosystem is consumed as a unified user experience, heavily relying on proprietary data flows and unified endpoints like the Graph API to ensure structural interconnectedness between its digital activities.

III. Avenues of investigation

9. Google agrees with the proposed avenues of investigation set out in the ITC. As the CMA has already found, Microsoft has significant market power in each of these digital activities. Furthermore, they are architecturally and commercially designed to work together as a single,



integrated ecosystem. This degree of integration is unique in scale and scope, giving Microsoft's ecosystem a level of influence over enterprise IT environments that extends far beyond any individual product market.

10. We also support the focus on barriers to switching, technical interoperability, and barriers to entry and expansion arising from Microsoft's structural control over its ecosystem. These issues accurately reflect the key competitive pressure points for third party providers competing against Microsoft, and the investigation should rigorously evaluate how Microsoft restricts customers from combining its software with rival products.
11. The CMA's Cloud MI, alongside prior regulatory investigations, has already compiled a substantial evidence base on these avenues of investigation. We urge the CMA to efficiently leverage the Cloud MI findings to directly inform its SMS assessment, given that the structural barriers hindering effective competition in these markets remain intact.
12. In conducting its forward-looking assessment of Microsoft's market power over the next five years, the CMA must recognise that neither recent regulatory changes nor technological shifts will constrain Microsoft's position. In particular:
 - a. We invite the CMA to closely review recent changes to Microsoft's business practices made in response to regulatory pressure, such as in relation to Teams or its software licensing practices. These adjustments fall short of what is required to restore meaningful competition. Microsoft's core tactics from the last few decades - particularly those that are used to block effective competition against Azure - have not materially shifted notwithstanding extensive regulatory investigations into its conduct (including in the CMA's own Cloud MI). Leveraging the indispensability of its software ecosystem to dominate the cloud market is a well-publicised competitive strategy for Microsoft.³ Decisive intervention from the CMA is required to remedy this systemic behaviour.
 - b. The integration of AI into business applications will serve as an entrenching mechanism for Microsoft, rather than a disruptive competitive constraint. While AI and agentic AI will undoubtedly change how business software is used, Microsoft is actively leveraging its enterprise software ecosystem to capture nascent enterprise AI use cases, including by integrating Copilot into its must-have software packages and embedding it into essential, everyday workflows. Over time this will only serve to deepen enterprise operational dependency and raise switching barriers for customers already subject to Microsoft's data and IAM lock-in. As agentic AI relies on deep integration with enterprise data and applications, Microsoft's structural control over the underlying ecosystem will create insurmountable barriers to entry for rival AI providers. This further supports a broad designation scope.

IV. Issues identified

13. With AI widely expected to further accelerate enterprise on-premises migrations, ensuring UK customers can choose their cloud provider without penalty is an urgent regulatory priority. Without action, UK enterprises and public sector organisations will continue to be forced onto Azure to avoid punitive licensing fees rather than basing decisions on technical merit or innovation. CMA intervention is essential to protect customer choice in foundational cloud services, and the next generation of AI and agentic workloads, given the significant intersection between them.

³ The Economist, [How Satya Nadella turned Microsoft around](#) [CEO & Chairman](#) (22 October 2020); [CEO & Chairman, Satya Nadella's Microsoft Inspire 2022 Keynote - YouTube](#).



14. We urge the CMA to prioritise addressing the ongoing harm caused by Microsoft's cloud licensing practices. The Cloud MI definitively found that discriminatory pricing and restrictive terms for deploying software on rival cloud infrastructure is causing an adverse effect on competition (**AEC**) in the UK cloud market. The CMA must now remedy this AEC under the DMCCA framework, in line with the recommendations of its own independent panel.
15. Addressing Microsoft's restrictive licensing is also aligned with the national priority to build resilience. As highlighted by recent global cloud outages, over-reliance on a highly concentrated cloud market poses severe operational and security threats. Enabling multi-cloud flexibility is a critical mitigation strategy that allows private and public sector customers to spread risk across multiple independent providers rather than being locked into a single point of failure.
16. We also support the CMA's focus on technical interoperability, user interfaces and commercial bundling, which are used in combination to enforce enterprise lock-in. The CMA must address these practices holistically to ensure customers retain effective choice and can combine products and applications from a range of providers.

V. Potential interventions

17. Google supports the use of the CRs framework to deliver structural, enforceable, and forward-looking interventions. In designing CRs that deliver immediate and effective benefits to UK businesses and consumers, we ask the CMA to consider the following points:
 - a. The CMA should prioritise addressing Microsoft's cloud licensing practices. Given the extensive investigation into Microsoft's licensing practices by Ofcom and the CMA over the last three years and the findings of an AEC, mandating pricing and licensing parity for Microsoft software across all cloud infrastructures is necessary, effective, and proportionate to restore a competitive playing field in the UK cloud market.
 - b. The CMA is well-positioned to develop and impose CRs concurrently with the SMS investigation given the work conducted in the Cloud MI. The lesson from international regulatory efforts - particularly the EU Teams process and commitments - is that delayed regulatory action is ineffective when the market has already tipped and rivals' competitiveness irreparably harmed. With cloud migration accelerating, a reality recently underscored by Microsoft's CEO Satya Nadella,⁴ immediate action is required to prevent Microsoft from further cementing its market power.
 - c. Any proposed remedies must be strictly enforceable and include robust anti-circumvention measures, particularly given Microsoft's documented history of superficial compliance. The CMA must ensure that CRs have structural safeguards built in to address the complex interlinkages within Microsoft's ecosystem and prevent it from evading its obligations.
 - d. Interventions must be future-proofed to prevent Microsoft from extending its ecosystem lock-in into the enterprise AI market. CRs must explicitly restrict Microsoft from bundling new AI tools, such as Copilot, into its dominant applications.. Failure to account for this technological shift will allow Microsoft to foreclose competition in next-generation AI workloads before a competitive market can even emerge.
18. Google welcomes the opportunity to contribute to further develop the CMA's thinking on these points.

⁴ Microsoft, [FY26 Q1 Earnings Call Transcript](#).