[REDACTED] Response to the CMA's Invitation to Comment: Strategic Market Status investigation into Microsoft's business software ecosystem

1. Introduction

1.1. We welcome the opportunity to respond to the CMA's Invitation to Comment on its Strategic Market Status (**SMS**) investigation into Microsoft's business software ecosystem. The CMA has indicated that the purpose of this evidence-gathering exercise is to inform both (i) whether Microsoft should be designated as having SMS in relation to the relevant digital activities; and (ii) if designated, what interventions might be effective and proportionate.

1.2. As a large UK organisation with a substantial user base, we rely heavily on Microsoft's productivity tooling (including Microsoft 365 applications), cloud and automation services, as well as certain adjacent AI-enabled offerings. In our experience, Microsoft's suite delivers significant benefits in usability, collaboration, security integration and day-to-day productivity, particularly for large, distributed workforces. At the same time, we recognise, consistent with the CMA's framing, that the characteristics which make Microsoft's ecosystem attractive can also create *barriers to switching* and *frictions* in mixing and matching rival products, especially where interoperability and portability are limited, and where commercial packaging and licensing structures affect procurement decisions.

1.3. Our observations below are offered to assist the CMA's forward-looking assessment of whether Microsoft's position is substantial and entrenched, and whether it has strategic significance, including in light of ongoing developments in cloud adoption and the embedding of AI assistants into core workplace tools.

2. The ecosystem dynamic: integrated value and integrated dependency

2.1. From an end-user perspective, Microsoft's productivity suite operates as an integrated ecosystem rather than a set of standalone tools. In practice, seamless movement of content, identity and context between Outlook, Teams, SharePoint / OneDrive and Office applications substantially reduces friction for users and improves collaboration. However, internal stakeholders report that when content needs to be moved between Microsoft applications and non-Microsoft tools, sign in and sharing / copy-paste barriers arise that are not present within Microsoft's own ecosystem of applications.

2.2. Consequently, switching or substituting components can be disruptive. We understand the CMA is examining the extent to which the "interoperability and interconnected nature" of the relevant activities contributes to market power and creates barriers to switching. In our experience, that dynamic is real. The Microsoft tenant becomes an integrated web of tools and workflows such that moving away from the Microsoft productivity environment would be a multiyear transformation with significant disruption risk.

2.3. By way of illustration, internal change and adoption specialists have indicated that migrating a workforce of approximately 160,000 users (including roughly 13,000 knowledge workers) to a different productivity ecosystem would require a very significant people-change investment, including a sizeable, dedicated team over many months purely to upskill users and support adoption. This also excludes the challenge of addressing content migration and re-platforming requirements (including very large volumes of legacy files). This is consistent with the CMA's focus on migration costs, re-training and operational disruption as key facets of switching barriers.

2.4. We also note that high adoption rates of embedded Microsoft tools can make switching unrealistic in the short term. We observe a near-universal usage of Teams in certain areas of our organisation and a very high active usage of Copilot licences once deployed, indicating deep behavioural adoption and reinforcing the practical difficulty of moving away quickly even where alternatives may exist.

3. Bundling and commercial packaging: procurement simplicity vs reduced competition

3.1. We understand the CMA is interested in how bundling influences customer choice and the ease with which customers can negotiate good deals and use products best suited to their needs. Our experience is that bundling is commercially significant. Microsoft's licensing is often structured so that the most cost-effective route for large organisations is a bundle (for example, enterprise suites), and a combination of procurement simplicity and colleague experience can make it attractive to standardise. Moreover, while products may be available separately, individual product pricing can be substantially higher, which creates a practical incentive to take the bundle as the default.

3.2. This can have competitive effects. Where key capabilities are effectively "pre-paid" inside a broader enterprise bundle (or priced in a way that makes unbundled purchase uneconomic), rival providers can be disadvantaged even if their product is superior in a specific domain. This can also affect the internal business case for trialling and scaling alternatives, given that procurement and business stakeholders compare the incremental cost of a third-party tool against the 'already included' Microsoft functionality. In our view, this is a relevant consideration for the CMA's assessment of whether competitors can constrain Microsoft effectively on a product-by-product basis and whether interventions might be necessary to preserve effective competition.

3.3. That said, we also recognise the clear customer benefits of bundling, particularly for large organisations, through reduced vendor management overheads and smoother integration across a standard toolset. Any intervention in this area would therefore need to be carefully calibrated to preserve efficiencies while ensuring that bundling does not unduly distort competition or foreclose rivals.

3.4. From an asset management and software asset and licence management perspective, we have seen increasing complexity across Microsoft's licensing ecosystem, particularly within Azure, Microsoft 365, Power Platform and AI services such as Copilot. The continual evolution of licensing models and consumption-based services increases the effort required to maintain licence compliance, optimise spend and forecast future costs. Recent announcements around higher-value AI-enabled suites further illustrate just how rapidly the licensing landscape is evolving, and the associated challenges for businesses in realising value from licences.

4. Interoperability in practice: friction, middleware dependence, and standards participation

4.1. The CMA has highlighted the importance of customers being able to combine Microsoft products with products from other providers, and the potential for limited interoperability to prevent switching and weaken competitive constraints. We agree that interoperability is an important lens through which ecosystem power can be entrenched, particularly as organisations pursue modern data architectures and AI-enabled workflows that cut across multiple platforms.

4.2. In our data and analytics estate, we have observed interoperability concerns associated with Microsoft's business intelligence (**BI**) stack – most notably Power BI and its semantic layer. An

industry-wide, vendor-neutral specification has recently emerged for exchanging semantic metadata across analytics, AI and BI platforms (referred to in this submission as "OSI"). The goal of such initiatives is to enable portability and interoperability of the semantic layer, i.e., the business logic and metric definitions that sit above raw data and are critical to consistent reporting and decision making.

4.3. In our view, interoperability between Power BI's semantic layer and OSI-compliant platforms may be technically achievable, but often only through third-party middleware solutions. This creates additional cost, complexity, and operational dependency on an additional vendor. The existence of such workarounds may not, in practice, amount to effective interoperability in the sense that matters for competitive constraint and switching. Rather, it could potentially function as an 'exit toll' that customers must pay to avoid being locked into a single vendor's stack.

4.4. More tangibly, business logic defined in Power BI (including metric definitions) cannot be exchanged natively with other platforms in a standardised way. This increases the cost and complexity of adopting alternative tooling, and it increases the cost of exit, reinforcing dependence not necessarily through product merit alone but through the practical barriers to moving the semantic layer.

4.5. We also note that a 'BI compatibility mode' has been removed from the Power BI connector to Databricks. While we have not ourselves suffered acute harm to date, we consider this type of change, where compatibility is reduced, illustrative of the fragility of interoperability when it is not anchored in open, vendor-neutral standards and commitments. In our view, where interoperability hinges on unilateral product decisions rather than stable standards, it can become a channel through which dependency is reinforced.

5. Semantic model portability: proprietary formats and rebuild costs

5.1. Similarly, we consider semantic model portability to be a distinct and important dimension of switching barriers. Power BI semantic models are stored in proprietary formats (such as PBIX), and there is no native, standards-based export path that enables an organisation to migrate its semantic layer to an alternative BI platform without substantial rework. In practical terms, if we wished to migrate away from Power BI, we would likely need to rebuild the semantic layer in the destination tool. This is a material switching cost because the semantic layer often embodies significant organisational knowledge about how performance is measured and governed.

5.2. This is relevant to the CMA's inquiry because the inability to port semantic models can entrench market power over time. Indeed, even if a rival BI tool were superior on functionality or price, customers face a structural disincentive to switch due to the rebuild burden. This is a form of lock-in that arises from technical and format constraints rather than explicit contractual restrictions.

6. Performance incentives and 'data gravity': optimisation tied to Microsoft storage

6.1. We also wish to highlight the competitive implications of performance optimisation features that are available only when data is stored within Microsoft's proprietary environment. By way of example, Microsoft's DirectLake query mode can deliver meaningful performance benefits for Power BI, but is only available when data resides in OneLake (Microsoft's storage management layer within Fabric). In our view, this creates a structural incentive for organisations to consolidate

storage and analytics within Fabric even where a non-Microsoft lakehouse might otherwise be the preferred architectural or commercial choice.

6.2. While Microsoft may point to interoperability mechanisms such as Iceberg table support, our experience is that these mechanisms appear to be primarily oriented toward facilitating ingestion *into* Microsoft's ecosystem rather than enabling Microsoft tooling to operate fully on data held elsewhere. In modern data architecture, a widely recognised direction of travel is to bring compute and context to the data rather than moving data to the tool. Where performance and functionality advantages are available primarily when data is duplicated into Microsoft's environment, this can increase cost (through duplication and additional storage / compute), increase operational complexity, and concentrate dependency and risk.

7. AI integration: benefits, but potential for dependency to deepen

7.1. We note the CMA's emphasis on AI assistants, including the prospect that agentic AI may increase the importance of integration with existing workflows and data. Our stakeholders report that Copilot and wider AI integration increases the value of being inside the Microsoft ecosystem because of the integrated user interface and the ease of accessing internal content within the tenant. At the same time, stakeholders also report demand for the ability to deploy alternative AI tools and that some competitor tools are perceived as stronger for certain use cases, but are harder to integrate effectively into Microsoft's environment.

7.2. In our view, AI is likely to deepen ecosystem dependency because AI value is closely tied to integration with documents, communications, identity, permissions and organisational knowledge, which are areas where Microsoft is particularly strong for customers who are already heavily invested. Our stakeholders consider that AI adds an additional layer of data integration and automation that is difficult to reverse, increasing the 'stickiness' of the ecosystem. This is not necessarily problematic if competition remains effective, but it is relevant to the CMA's forward-looking assessment of entrenchment over at least a five-year horizon.

8. Overall assessment and potential intervention themes

8.1. Overall, our experience is that Microsoft's ecosystem delivers significant customer benefits, particularly for large organisations, through integration, security, familiarity and productivity. We also consider that certain competition concerns can arise in parallel, notably where interoperability, portability, licensing complexity and performance incentives collectively raise switching costs, reduce transparency and commercial flexibility, and limit the practical ability to adopt potentially superior alternatives. In addition, the integration of capabilities across Microsoft 365, Azure, Power Automate, Fabric, Security and AI services can make it difficult to assess alternative solutions on a like-for-like basis and may increase dependency on the wider Microsoft ecosystem, making it harder for businesses to make informed choices and independently optimise technology investments.

8.2. We therefore consider that the CMA's stated areas of interest, namely bundling, interoperability limitations, and the ways in which these may prevent switching, are the correct focus. If Microsoft were designated as having SMS, potential interventions that may be worth exploring (and calibrating proportionately) could include:

- **Interoperability and standards commitments**: requiring transparent, stable and non-discriminatory interoperability for key connectors / APIs, and encouraging meaningful participation in relevant vendor-neutral standards initiatives where these can reduce switching friction without undermining security or product integrity.
- **Portability of the semantic / knowledge layer**: measures to support export or translation of semantic models and business logic into open or standardised formats, reducing rebuild costs and enabling multi-tool BI strategies.
- **Non-discriminatory functionality across environments**: ensuring that material functionality is not artificially degraded when Microsoft tools are used alongside rival cloud or data platforms, subject to objectively justified technical constraints.
- **Bundling transparency and choice**: improving customer ability to procure components independently where needed, including clearer pricing transparency and avoiding commercial structures that unduly penalise partial substitution.