

Comment on the CMA's Strategic Market Status Investigation into Microsoft's Business Software Ecosystem

We appreciate the opportunity to provide our initial views in response to the UK Competition and Markets Authority's ("CMA") invitation to comment on its investigation into Microsoft's business software ecosystem under the Digital Markets, Competition and Consumers Act. As described below, we believe that Microsoft's dominance in business software justifies the CMA's investigation and the compelling need for interventions to restore healthy competition and customer choice.

Scope of the Investigation and SMS Assessment

We broadly support the CMA's investigation into whether Microsoft should be designated as having Strategic Market Status ("SMS") in relation to its business software ecosystem. In our view, Microsoft has long been the dominant provider of business software that, as recognised by the CMA, is fundamental to the IT infrastructure of most UK (and global) companies and public sector organisations, and its practices have impeded and continue to impede healthy competition for various products and services within its ecosystem.

Given that Microsoft's business software ecosystem encompasses a comprehensive portfolio of products and services that address significant parts of an organisation's software needs ("a one-stop-shop"), we support the CMA's approach to investigate a number of Microsoft's digital activities, as well as to consider whether such activities should be grouped as a single digital activity for purposes of designation. Microsoft's competitive advantages are rooted in its ability to exercise leverage across its wide-ranging stack of offerings, including through product bundling and related pricing practices and deliberately unmatchable technical integration, which other business software providers struggle to compete with. An investigation that fails to account for the dynamics between and across Microsoft's digital activities would risk misunderstanding and underestimating the scale and nature of the competitive harm caused by Microsoft's practices.

In particular, given the undeniably increasing significance of AI technologies to business software, we support the CMA's intent to consider the implications – including the likelihood to cause harm to competition – of Microsoft's integration of AI features and functionalities on the digital activities under investigation, such as, for example, Microsoft's inclusion of agentic solutions in its productivity software suites.

Issues to Explore and Possible Interventions

We broadly support the CMA's aim of seeking to strengthen competition within business software, as a thriving, competitive market would ensure that UK customers can negotiate competitive deals,

use the most innovative products and freely combine solutions from a wide range of providers to best meet their particular needs.

We believe there is a compelling need for interventions to Microsoft's practices to restore healthy competition and customer choice, and we support the CMA's examination of each of the possible interventions identified in the invitation to comment. In particular:

- **Preventing leveraging market power into adjacent activities:** we believe this possible intervention should be considered more broadly than harm in cloud services, as Microsoft has a well-documented history of this conduct. For example, Microsoft has leveraged its substantial and entrenched market power in productivity software to capture various adjacent products and services, to the detriment of customers and competing software providers. We support the CMA looking into how Microsoft is leveraging its market power in productivity software and the broader business software ecosystem to move further into adjacent activities (such as AI technologies) and considering appropriate interventions to preserve relevant competition.
- **Promoting customer choice as it relates to technical design and interoperability and defaults:** we strongly support examination of this possible intervention as Microsoft's dominance in business software makes it very important for other software providers to be able to effectively interoperate with its ecosystem in order to compete for customers, though barriers exist to such interoperability today. In addition, defaults imposed by Microsoft have a substantial ability to influence the services used by customers and by extension the ability of competing software providers to succeed in the market.
- **Ensuring that customer purchasing decisions are not distorted by commercial arrangements like bundling:** we likewise strongly support examination of this possible intervention as Microsoft's practice of bundling, tying, and offering portfolio-wide incentives has prevented UK customers from being empowered to choose the products and services that best meet their needs. Instead, Microsoft's practices have limited customers' ability to choose products that may best suit their needs, effectively pushing them towards bundles whose various components may not necessarily be used or may be retained only because it would cost more to remove the service from the customer's licensing agreement. This reality is detrimental to innovation and harmful to customers, including UK public sector organisations.

Conclusion

In summary, we fully support the CMA's investigation and believe the CMA has accurately identified the key issues impacting competition in business software in the UK and the possible interventions. We look forward to engaging further with the CMA as this critical investigation progresses.