



# **Virgin Media O2 response to the CMA's Invitation to Comment: SMS investigation into Microsoft's business software ecosystem**

**Non-Confidential**

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## **SMS investigation into Microsoft’s business software ecosystem: Virgin Media O2’s Response to CMA’s Invitation to Comment**

Virgin Media O2 (VMO2) welcomes the opportunity to respond to the Competition and Markets Authority’s (“**CMA**”) Invitation to Comment (“**ITC**”) of regarding the Strategic Market Status investigation into Microsoft’s business software ecosystem (“**MBSE SMS investigation**”).

The importance of business software for economic growth and innovation, especially given the prevalent use and integration of AI tools, justifies the CMA seeking to analyse potential risks to the functioning of business software markets that relate to Microsoft’s central role in such markets.

VMO2 is an enterprise-level user of business software [§]. As such, we have a clear interest in business software markets being competitive, offering choice in terms of products and pricing, and delivering the innovation that businesses need across the UK.

### ***Scope of the MBSE SMS investigation***

VMO2 agrees that the MBSE SMS investigation’s scope should cover Microsoft’s digital activities across the full range of productivity software, PC operating systems, server operating and database management systems, and security software. [§]

The CMA must decide whether to group these activities together as a so-called “ecosystem” for the purpose of its investigation. Our initial thought is that this is likely appropriate as it allows the CMA to analyse potential SMS designation, issues and remedies having regard to Microsoft’s activities across the differing product categories. VMO2 supports the CMA’s position that its decision must be informed by its review of how products across these categories are used and offered together. Indeed, stakeholders at VMO2 also regard Microsoft’s suite of products as an “ecosystem”.

Focussing on business software must not constrain the exploration of issues that may arise from Microsoft’s leveraging of its market power across business software into other markets (e.g., cloud services). If such issues originate from Microsoft’s market position in business software categories, we consider that those issues should also fall within the scope of the investigation.



### ***Potential issues and interventions***

It is VMO2's experience that **bundling** and **pre-enabled settings** are prominent features of how Microsoft designs and offers its products.

Not all individual products are available on a standalone basis, and when they are, they tend to be priced comparatively higher against the prices of bundles. This may lead businesses to purchase bundles, even if they are primarily interested in only one product or a small subset of products.

As part of VMO2's procurement process, it reviews the prices of individual products and bundles offered by Microsoft and other providers to decide which products to purchase and from which provider. This ensures that VMO2 purchases the products that are the most cost-effective and deliver on its requirements. Whilst Microsoft's bundling does not currently prevent VMO2 from taking the decisions which suit its own needs, it may be prudent for the CMA to analyse the impact of Microsoft's bundling practices on other providers and the competitive procurement process in the longer-term, including where this concerns the integration of AI tools in business software.

Additionally, in relation to pre-enabled settings, VMO2 distinguishes between individual licence users and the enterprise-level licence administrator. [8<] VMO2 considers that such pre-enabled settings are not customer-friendly and may entail a significant cost to businesses. Furthermore, such pre-enabled settings may be considered a form of self-preferencing by Microsoft that could impede customer choices in relation to adjacent products within business software. At the least, such settings should be made transparent at the outset of the contract to allow customers to easily switch them off or that the default is that add-ons cannot be accessed by licensees unless these have been specifically enabled by the administrator.

VMO2 welcomes future opportunities to engage with the CMA as the investigation progresses.