Response to the CMA's Invitation to Comment: Strategic Market Status Investigation into Microsoft's Business Software Ecosystem

To: Competition and Markets Authority

Via: business.software.sms@cma.gov.uk

From: [redacted]

Re: Invitation to Comment -- SMS Investigation into Microsoft's Business Software Ecosystem (14 May 2026)

Date: 19 May 2026

Responding on behalf of: Third Stage Consulting Group (organisation)

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1. Executive Summary

Third Stage Consulting Group is an independent, vendor-neutral digital transformation advisory firm. We advise organisations globally on ERP selection and implementation, cloud strategy, AI adoption, organisational change management, and broader enterprise technology transformation. Our client base spans Fortune 500 enterprises, mid-market organisations, public sector entities, and non-profits across North America, Europe, Asia-Pacific, the Middle East, and Latin America.

We do not resell software. We do not receive referral fees, commissions, or implementation revenue from Microsoft, its competitors, or any major systems integrator. This independence is foundational to our practice and is the perspective from which we offer these comments.

Across thousands of enterprise technology engagements, we have observed first-hand how organisations evaluate, adopt, integrate, and occasionally attempt to move away from major software ecosystems. We respectfully submit the following observations in response to the CMA's Invitation to Comment dated 14 May 2026.

Our central thesis is straightforward:

Microsoft's business software ecosystem delivers significant innovation and customer value, but its increasing ecosystem concentration, bundling practices, and integration dependencies may

create structural barriers to customer choice, interoperability, competition, and long-term innovation within enterprise technology markets.

We wish to emphasise three framing points:

- Our concern is not innovation itself. Microsoft has contributed meaningfully to the productivity and capability of modern enterprises, and we acknowledge Microsoft's significant investment commitments in the United Kingdom, including announced multi-billion-pound AI infrastructure and datacentre expansion programmes.
- Our concern is the growing imbalance of market power and the operational switching friction that accompanies deep ecosystem standardisation.
- The rapid embedding of AI across the Microsoft stack materially amplifies these concerns and warrants forward-looking regulatory attention.

We note that these comments are submitted in the context of the CMA's SMS investigation under the Digital Markets, Competition and Consumers Act 2024 (the Act). We believe the market features described below are directly relevant to the CMA's assessment of substantial and entrenched market power (SEMP) and position of strategic significance (POSS), and that several of the remedies we propose could function effectively as Conduct Requirements (CRs) or Pro-Competition Interventions (PCIs) under the Act. We have structured our response to address the CMA's questions in Boxes 2 and 3 of the ITC, with cross-references where appropriate.

2. Views on the Proposed Scope of Investigation and Digital Activities (Q1)

We support the CMA's proposed scope and consider the candidate descriptions of digital activities -- Productivity Software Suite, PC Operating System, Server Operating System, Relational Database Management System, and Security Software -- to be well-defined and comprehensive.

We particularly support the CMA's consideration of grouping these digital activities as a single designation, namely "Microsoft's Business Software Ecosystem." In our experience advising enterprise customers, these products are not purchased, deployed, or experienced as independent offerings. They function as an interconnected operational stack in which identity (Entra), productivity (Microsoft 365), infrastructure (Windows Server, Azure), data management (SQL Server), and security (Defender, Intune) are deeply interdependent. The grouped designation more accurately reflects how UK organisations experience the ecosystem.

We would encourage the CMA to consider whether the scope should explicitly encompass two additional layers that increasingly form part of the ecosystem as experienced by customers:

- AI-enhanced tools, including Microsoft 365 Copilot, Copilot agents, and AI features embedded across Dynamics 365, Power Platform, and Azure. The ITC notes the CMA's intention to investigate the extent to which AI products should be in scope (paragraph 17). We strongly support inclusion. As we elaborate in Section 6 below, AI is rapidly becoming the connective tissue and control layer of the ecosystem, and its exclusion would leave a significant gap in the analysis.
- Low-code and workflow platforms, particularly Power Platform (Power Apps, Power Automate, Power BI). These tools sit at the intersection of productivity, data, and business operations, and they deepen dependency in ways that are materially relevant to the switching cost and interoperability analysis.

3. Evidence on Avenues of Investigation (Q2)

3.1 Increasing Dependence on a Single Vendor Ecosystem

In a growing share of the organisations we advise, the Microsoft estate has effectively become the default operational backbone of the enterprise. A typical large customer relies, in interconnected fashion, on:

- Microsoft 365 for productivity and collaboration
- Teams for communications and meetings
- Azure for cloud infrastructure and platform services
- Entra (formerly Azure Active Directory) for identity and access management
- Power Platform for low-code workflow and application development
- Power BI for analytics and reporting
- Dynamics 365 for ERP and CRM workloads
- Copilot for embedded AI across the above

Individually, each product offers real value. Collectively, they constitute an interconnected operational stack that is increasingly difficult to disentangle. In one recent engagement, a global industrial manufacturer we advised had unintentionally migrated its identity, productivity, collaboration, analytics, and a meaningful portion of its application development onto Microsoft within roughly three years, without a single explicit board-level decision to standardise on a single vendor. The drift happened one renewal and one bundle at a time.

This observation directly supports the CMA's investigation into the extent to which the "interoperability and interconnected nature of the digital activities, and how they are offered and used in combination, may contribute to Microsoft's holding market power" (ITC paragraph 24(b)).

While integration delivers genuine productivity benefits, in practice it also:

- Increases switching costs across multiple adjacent domains simultaneously.

- Reduces architectural flexibility and modularity.
- Creates organisational, procurement, and skills dependency on a single ecosystem.

The result is that customer "choice" at the product level often becomes theoretical once identity, productivity, collaboration, cloud, and AI have converged onto one vendor.

3.2 Bundling and Commercial Pressure

We routinely observe commercial dynamics that, while not necessarily explicit, create meaningful pressure toward Microsoft standardisation. This evidence is relevant to the CMA's exploration of whether "commercial arrangements like bundling" distort customer purchasing decisions (ITC paragraph 41(c)). Examples include:

- Inclusion of Teams within Microsoft 365 SKUs in ways that materially disadvantage standalone collaboration competitors. We note the European Commission's commitments regarding Teams unbundling (ITC paragraph 59(a)); Microsoft has voluntarily applied these globally but, as the CMA notes, they are not legally enforceable in the UK. Our experience suggests the voluntary measures have not meaningfully altered purchasing behaviour among enterprise customers.
- Pricing and packaging structures that make Copilot most economical when consumed within an all-Microsoft environment.
- Azure consumption commitments and discounting that reward broader platform standardisation.
- Enterprise Agreement structures that tie licensing economics to multi-product adoption.
- Higher-tier productivity SKUs (such as Microsoft 365 E5) that include Power BI Pro, which functions as a strong incentive against adopting competing analytics tools such as Tableau or Qlik.
- Incentive structures for partners and resellers that favour Microsoft-native solutions over best-of-breed alternatives.

Specific commercial actions in recent years reinforce these concerns. Reports of double-digit annual increases on certain Microsoft cloud subscriptions, the recent wind-down of long-standing volume-discount programmes for online services, and standardised pricing approaches that reduce negotiation room have all increased the effective cost of remaining a Microsoft customer while leaving switching just as difficult. Several mid-market and upper mid-market customers we advise have reported single-renewal cost increases in the high six figures to low seven figures, with limited practical recourse. One enterprise software pricing analysis we reviewed documented Microsoft Dynamics 365 subscription increases in the 8 to 17 percent range announced in a single cycle.

Customers often perceive financial penalties or operational disadvantages when selecting non-Microsoft alternatives within Microsoft-centric environments. This is best characterised not as

explicit exclusion but as a form of soft coercion: the practical economics make the Microsoft option the path of least resistance, even when an objectively superior alternative exists.

The distinction between theoretical customer freedom and practical market behaviour is, in our view, central to evaluating competitive dynamics in this market.

3.3 Interoperability and Technical Integration Concerns

Interoperability remains a recurring source of friction in the engagements we advise. This evidence is relevant to the CMA's exploration of whether "technical design and interoperability enable customers to choose between different providers" (ITC paragraph 41(b)) and whether "design choices -- including choices about how data, signals or usage information are accessed and combined across products -- may also limit the ability for rivals to compete" (ITC paragraph 47).

When organisations attempt to integrate competing AI platforms, non-Microsoft cloud services, third-party analytics tools, or best-of-breed enterprise applications into a Microsoft-centric environment, they frequently encounter:

- API limitations or asymmetric access compared to Microsoft-native components.
- Proprietary data structures and schemas that complicate portability.
- Integration complexity disproportionate to the technical scope of the task.
- Preferential integration depth between Microsoft products, for example Copilot reaching more naturally into Microsoft 365 data than into third-party systems.
- Workflow optimisation that is most fluid when end-to-end within the Microsoft ecosystem.

For example, a North American distribution client attempting to retain a best-of-breed analytics platform alongside Dynamics 365 found that connectors, role-based security mapping, and embedded reporting experiences were all materially more seamless when using Power BI, despite the third-party tool being a better functional fit for their analytics use case. A separate professional services client found that integrating an independent AI assistant with their Microsoft 365 data required substantially more engineering and governance overhead than enabling Copilot, even though their preferred independent assistant had stronger capabilities for the specific workflow in question.

We are careful not to attribute intent. We are not, in these comments, alleging deliberate anti-competitive conduct. We are reporting consistently observed operational outcomes: integration with Microsoft components tends to be easier, cheaper, and more feature-complete than integration of equivalent third-party components, and that asymmetry shapes architectural decisions over time.

3.4 Defaults, Design, and Steering (ITC paragraph 41(d))

We note the CMA's interest in whether "defaults, design and presentation choices" steer users toward Microsoft products (ITC paragraphs 52-54). Our experience supports exploring this issue. Across enterprise deployments, default configurations within Microsoft 365 and Windows consistently surface Microsoft services -- Teams for meetings, OneDrive for storage, Edge for browsing, Bing for search, and Copilot for AI -- in ways that create an "out-of-the-box" experience heavily weighted toward Microsoft-native tools. While individual defaults can be changed, the aggregate effect across dozens of default settings, pre-enabled features, and in-product prompts creates a powerful gravitational pull, particularly in organisations without dedicated IT teams to reconfigure environments.

This dynamic is further amplified by AI-enhanced features that learn from usage over time. As the CMA correctly identifies (ITC paragraph 53), these data-driven features "become more valuable the longer they are used," creating a self-reinforcing cycle that disadvantages alternatives the customer has not yet tried.

4. Forward-Looking Assessment: How Business Software May Evolve (Q3)

4.1 AI Ecosystem Concentration Risks

The most forward-looking competitive concern, in our view, lies in how AI is being embedded across the enterprise software stack. Copilot, AI agents, embedded workflow AI, and Microsoft-native data access mechanisms are increasingly becoming the connective tissue across Microsoft 365, Dynamics 365, Power Platform, Azure, and Entra. Microsoft has publicly positioned AI as the control layer of its platform, underpinned by an exclusive enterprise commercialisation relationship with a leading foundation-model provider, native Copilot agents embedded across ERP, CRM, productivity, analytics, and security, and a unified data model across the stack.

Several dynamics warrant the CMA's attention as part of its required forward-looking assessment of at least five years (ITC paragraph 25):

- AI assistants become substantially more effective when they have privileged access to centralised data, identity, and workflow context, which the Microsoft stack uniquely provides at scale.
- Customers may become operationally dependent on Microsoft-native AI workflows in ways that are far stickier than traditional software dependencies, because the AI learns, accumulates context, and reshapes how employees actually work.
- Emerging AI competitors, including independent model providers, agent platforms, and specialised vertical AI tools, risk being structurally disadvantaged before markets have had

a chance to mature. This is particularly relevant to the United Kingdom's thriving AI start-up and scale-up ecosystem, where firms seeking to reach enterprise buyers may find Microsoft's distribution channel and embedded AI agent layer difficult to compete against, regardless of the quality of their underlying technology.
- As AI agents increasingly initiate actions on behalf of users across systems, the entity controlling the agent layer gains disproportionate influence over upstream and downstream software choices.

In short: AI may become the new control layer for enterprise software ecosystems, increasing the strategic significance of interoperability, data portability, and customer choice. Regulatory frameworks built for earlier software paradigms may not adequately address the gravitational pull of AI-mediated workflows.

4.2 The Shift Toward Composable Architecture

Third Stage Consulting's core practice areas, including ERP, digital transformation, and composable architecture, offer a particular vantage point on how business software is evolving.

Modern enterprises increasingly aspire to composable architectures: modular, best-of-breed ecosystems in which ERP, analytics, collaboration, integration, and AI components can be independently selected, replaced, and recombined. Industry data consistent with what we observe in the field indicates that roughly three-quarters of organisations have either fully implemented or are actively rolling out cloud-based ERP, shifting expectations from adoption to interoperability and flexibility. Our 2026 Digital Transformation Report (available without registration at https://www.thirdstage-consulting.com/2026-digital-transformation-report/) identifies the shift from monolithic systems to modular intelligence as the most significant structural change in enterprise technology in decades.

In practice, however, we observe that ecosystem concentration works against composability:

- Customers feel compelled to align ERP, analytics, collaboration, cloud, and AI strategies around a single hyperscaler ecosystem, even when their original strategy called for modularity.
- Integration economics frequently favour Microsoft-native solutions (for example, Dynamics 365 combined with Power Platform, Power BI, and Copilot) over objectively stronger or better-fit alternatives in specific domains.
- Independent vendors, particularly mid-sized ERP, analytics, and workflow providers, face increasing difficulty maintaining viability when customer architectures default toward Microsoft-native equivalents.
- De facto standardisation pressure reduces the diversity of the enterprise software supply base over time, with downstream consequences for innovation.

One illustrative example: a multi-billion-pound regional services organisation we advised explicitly set out to pursue a composable, best-of-breed architecture across ERP, analytics, collaboration, and AI. Over an eighteen-month period, commercial bundling economics, integration friction with non-Microsoft tools, and AI roadmaps anchored in Microsoft 365 caused the organisation to consolidate roughly 70 percent of its target architecture onto Microsoft, despite the original strategy calling for far greater diversity. The decision was rational at each step. The cumulative outcome was the opposite of what the organisation set out to achieve.

5. The Material Business Risks of Vendor Lock-In

We believe it is important for the CMA to consider not only the competitive effects of ecosystem concentration but also the material business risks that vendor lock-in imposes on the organisations that are locked in. These risks are relevant to the CMA's assessment of barriers to switching (ITC paragraph 24(c)) and to the design of proportionate interventions. They are often underappreciated until they crystallise, at which point they can be severe.

5.1 Loss of Operational Control

In the on-premises era, organisations owned their software, controlled their data, and ran their own infrastructure. Switching vendors was expensive and painful, but it was architecturally possible. In the cloud model, the vendor controls the infrastructure, the service-level agreements, the renewal terms, the extensibility framework, and the product roadmap. Organisations are not software owners; they are tenants. And like any tenant, their leverage decreases the longer they stay.

This shift has profound implications. Vendors set pricing, accessibility, and the pace and direction of functional development. A customer who has consolidated identity, productivity, collaboration, analytics, ERP, and AI onto a single vendor's cloud platform has, in practical terms, ceded control of significant portions of its operating environment to that vendor.

5.2 Unilateral Pricing Exposure

Once switching costs become prohibitive, vendors acquire pricing power that is difficult for customers to resist. In most cloud and SaaS contracts, vendors retain the ability to raise subscription prices, and because the customer has ceded control, they can do so with limited pushback. We have observed situations where customers face double-digit annual increases and have no realistic alternative but to accept them.

The consequences extend beyond IT budgets. If a business has a difficult quarter and must choose between paying a cloud vendor or meeting payroll, the business will pay its people. But a missed vendor payment can result in suspension of access to the very applications and data the organisation depends on to operate. This is not a theoretical risk; it is an inevitable feature of

a model in which a single vendor controls the applications, data, identity, and workflows that constitute an organisation's digital operations.

5.3 Erosion of Competitive Differentiation

Multi-tenant cloud models favour standardisation, which minimises a vendor's need to accommodate unique processes. The result is that organisations lose the ability to embed the proprietary processes, configurations, and operational "secret sauce" that differentiate them from competitors. Over time, this dilution of intellectual property erodes competitive advantage and reduces the customer's control over its own technology-enabled strategy.

5.4 Systemic and Concentration Risk

In the United Kingdom, financial services regulators, including the FCA, PRA, and Bank of England, have identified concentration in a small number of cloud providers as a named systemic risk. HM Treasury's Critical Third Parties regime under FSMA 2023 gives regulators direct oversight of designated cloud providers precisely because the failure or disruption of a dominant provider could have cascading effects across the financial system. The NHS's extensive dependency on Microsoft 365 and Azure is a recurring policy concern around clinical data residency, AI governance, and operational sovereignty. The UK Government's Cloud First policy, while well-intentioned, has in some cases accelerated consolidation rather than diversification.

These are not speculative concerns. They reflect the recognition by UK policymakers and regulators across multiple sectors that excessive dependency on a single technology provider creates fragility, not resilience.

6. Customer Switching Costs and Migration Friction

Even when customers conclude that a Microsoft-centric architecture is no longer optimal, the practical realities of switching are formidable. This evidence directly addresses the CMA's avenue of investigation into "barriers to switching, including interoperability of third-party business software products with the Microsoft ecosystem" (ITC paragraph 24(c)).

Across our engagements, we observe that moving away from Azure, replacing Teams, migrating productivity suites, relocating data ecosystems, or replacing Power Platform workflows typically involves:

- Accumulated technical debt across years of native integrations.
- Proprietary integrations and custom connectors that are difficult to reproduce on alternative platforms.
- Significant retraining costs for end users and IT staff.
- Workflow disruption that materially affects business operations during transition.

- Licensing complexity that obscures the true cost comparison of alternatives.
- Dependency chains across adjacent products, for example identity in Entra anchoring everything else.

We have repeatedly observed that once an organisation has anchored identity in Entra, productivity in Microsoft 365, collaboration in Teams, and analytics in Power BI, replacing any single component requires a re-architecture of several adjacent components. In one public sector advisory engagement, even a targeted attempt to replace collaboration tooling alone was estimated to involve a multi-year programme and seven-figure investment before any productivity benefit could be realised. The customer ultimately chose not to proceed, not because the alternative was inferior, but because the switching cost was prohibitive.

This pattern is consistent across sectors. Many of the organisations we advise genuinely like their Microsoft products and do not wish to leave, but they want to shrink the footprint and retain options. Even that more modest objective proves difficult when every component is interconnected. The smart approach, as we advise our clients, is diversification: maintain the ability to move some services to a competing provider, even if you do not intend to do so, because that optionality alone provides negotiating leverage.

Markets in which customers cannot credibly switch are markets in which competitive pressure on the dominant vendor is structurally weakened.

7. Views on Potential Issues and Interventions (Q4, Q5)

We support the four categories of potential intervention identified by the CMA in Part 2 of the ITC (paragraphs 41(a)-(d)). We offer the following additional observations on how these could be designed effectively and proportionately. Our intent is not to constrain Microsoft's ability to innovate, but to preserve the conditions under which competition, interoperability, and customer choice can continue to function in an AI-mediated enterprise software market.

A. Interoperability Standards (ITC paragraphs 41(b), 45-48)

Encourage, and where appropriate require through Conduct Requirements, open APIs and interoperability standards that allow third-party productivity, collaboration, analytics, and AI tools to integrate with Microsoft's ecosystem on terms substantively equivalent to those enjoyed by Microsoft's own products. In particular, we would support requirements that address the asymmetry of API access and data flow integration that we consistently observe between Microsoft-native and third-party tools.

B. Transparency Requirements (ITC paragraphs 41(c), 49-51)

Promote greater transparency around:

- Licensing structures, bundling economics, and effective discount mechanics.

- AI data usage, including what enterprise data is accessed, retained, or used for model improvement, with particular attention to compliance with UK GDPR and ICO guidance on automated decision-making and international data transfers.
- Known interoperability limitations between Microsoft and third-party tools.

Transparency alone will not solve concentration, but it is a prerequisite for informed customer decision-making. This aligns with the "trust and transparency" CR objective under the Act.

C. Data Portability Protections

Ensure organisations can move data, workflows, AI models, automation assets, and associated metadata between ecosystems in usable, machine-readable form. Portability obligations should extend beyond raw data to include the workflow logic, low-code applications (particularly Power Platform assets), and AI configurations that increasingly represent the bulk of customer-created value.

D. AI Neutrality Safeguards (ITC paragraphs 41(b), 41(d), 52-54)

Prevent anti-competitive preference structures within AI assistants and agents. For example, ensure that Copilot and equivalent agents do not systematically privilege Microsoft-native data sources, applications, or downstream services over comparable third-party alternatives that the customer has authorised. Given the self-reinforcing nature of AI-mediated workflows, early intervention in this area is likely to be significantly more effective than remedial action after entrenchment.

E. Commercial Bundling Safeguards (ITC paragraphs 41(c), 49-51)

Reduce practical barriers to multi-cloud and best-of-breed architectures, including by scrutinising licensing and pricing structures that create disproportionate penalties for mixed-vendor environments. We support the CMA's exploration of whether the EU's voluntary Teams unbundling commitments should be made legally enforceable in the UK, and would encourage the CMA to consider extending similar principles to Copilot, Power BI, and other tools whose inclusion in higher-tier bundles shapes purchasing behaviour.

F. Defaults and Steering Safeguards (ITC paragraphs 41(d), 52-54)

Ensure that default configurations, setup flows, and in-product prompts within Microsoft's business software ecosystem present users with neutral, informed choices rather than systematically steering them toward Microsoft-native tools. This is particularly important for AI-enhanced features, where early usage patterns establish self-reinforcing advantages.

G. Operational Resilience and Concentration Safeguards

Coordinate with sector-specific regulators, including the FCA, PRA, and NHS England, to ensure that operational resilience frameworks adequately address the risks of excessive

dependency on a single enterprise software ecosystem. Crown Commercial Service frameworks such as G-Cloud and Digital Outcomes and Specialists should be reviewed to ensure they encourage genuine competitive diversity rather than inadvertent consolidation.

8. Lessons from Action in Other Jurisdictions (Q6)

The CMA's ITC correctly identifies three key international developments (paragraph 59). We offer the following observations based on our global advisory practice:

- **EU Teams remedy:** The voluntary unbundling commitments have had limited practical effect on enterprise purchasing behaviour in our experience. Enterprise customers continue to default to Teams because it remains embedded in the broader Microsoft 365 workflow and identity layer. We would encourage the CMA to consider whether legally enforceable obligations with stronger interoperability and portability requirements would be more effective in the UK market.
- **EU Digital Markets Act (DMA):** Microsoft's designation as a gatekeeper for Windows OS provides a useful reference point. However, the DMA's focus is primarily on consumer-facing markets. The CMA's DMCR framework, with its focus on business software and its ability to impose tailored CRs, may be better suited to addressing the enterprise-specific dynamics described in this submission.
- **German Bundeskartellamt:** The BKA's determination of Microsoft's "paramount significance for competition across markets" under section 19a of the German Competition Act aligns with our observations about the interconnected nature of Microsoft's ecosystem. The BKA's finding that Microsoft's ecosystem is "fortified by Microsoft's overarching use of the cloud and AI" is consistent with the dynamics we describe in Sections 4 and 5 above.

The key lesson, in our view, is that voluntary commitments and narrow product-specific remedies have so far been insufficient to alter the structural dynamics of ecosystem concentration. The CMA's broader toolkit under the DMCR, and particularly the ability to impose CRs proactively rather than reactively, represents a meaningful opportunity to address these issues before AI-mediated workflows become fully entrenched.

9. Observations on How UK Enterprise Buyers Can Strengthen Competition

Effective competition in business software depends not only on regulatory action, but also on informed buyer behaviour. We share the following observations because we believe regulatory remedies will be most effective when paired with sophisticated procurement practices among UK enterprise customers and public sector organisations. These reflect what we routinely advise our clients across thousands of engagements.

9.1 Preserve Optionality by Design

The most important principle, in our experience, is to architect for diversification even when you do not intend to switch vendors. Optionality itself creates negotiating leverage. Organisations that retain the practical ability to move some workloads, identities, or data to a competing provider consistently negotiate better terms than those who have, in effect, foreclosed their alternatives. The smart approach is to maintain the option to move, even when the intention is to stay.

9.2 Negotiate as if You Are Locked In, Because You Are

Once an organisation has committed deeply to a single vendor ecosystem, switching costs become exorbitant, and that gives the vendor enormous leverage at every renewal. The time to negotiate protections is before the lock-in compounds. We routinely advise clients to pre-negotiate the following commercial terms at the point of initial commitment or major renewal:

- Locked-in discounts for the full enterprise agreement term.
- Caps on annual subscription increases, ideally tied to an objective measure such as CPI rather than vendor discretion.
- Pre-negotiated pricing for future-year module additions, so subsequent expansions do not become opportunities for price escalation.
- Explicit data, workflow, and AI configuration portability terms in the master agreement.
- Reasonable exit assistance obligations, including support for migration and a defined transition period.

Customers who treat a large commitment as leverage rather than a concession consistently leave less value on the table. We have seen organisations leave hundreds of thousands to millions of pounds on the table simply by not asking for these protections at the right moment.

9.3 Treat AI Adoption as a Strategic Decision, Not a Default

AI assistants and embedded AI features are being aggressively promoted across enterprise software ecosystems, and the pace of vendor-led adoption is outstripping many organisations' readiness around cost control, data governance, and measurable ROI. We advise clients to treat AI projects with the same discipline as any major technology initiative: define a clear business purpose, set explicit ROI metrics and parameters up front, and manage governance deliberately rather than allowing indefinite, uncoordinated experimentation. Where practical, organisations should also pilot independent AI alternatives in parallel with vendor-native offerings, so that adoption decisions are informed by genuine comparison rather than convenience.

9.4 Pursue Composable Architecture Intentionally

Modern enterprises increasingly aspire to composable architectures, but the gravitational pull of ecosystem concentration works against modularity unless organisations are deliberate about it. We advise clients to design their architectures around three separable layers -- data, workflow, and core operations -- so that no single vendor owns the entire stack. Decoupling data from applications, standardising cross-functional workflows, and integrating through API-first methods enables continuous evolution and reduces single-vendor dependency. ERP remains critical for control and compliance, but the most resilient organisations ensure differentiation lives in the data and workflow layers rather than being captured by any one vendor.

9.5 Diversify Service Providers, Not Just Software

Vendor lock-in is not only a software problem. Overreliance on a single systems integrator can create what we describe to clients as "learned helplessness," in which the organisation defers to its provider on architectural and commercial decisions because it lacks the internal capability to challenge them. We advise organisations to diversify service providers deliberately: build internal capability where feasible, use contractors selectively, and engage multiple integrators and resellers so that no single partner becomes irreplaceable. This adds management complexity but materially reduces concentration risk.

9.6 Demand Transparency as a Procurement Requirement

Buyers should treat vendor transparency as a procurement requirement, not a hope. This includes transparency around: licensing structures and effective discount mechanics; how enterprise data is accessed, retained, or used by AI features and foundation models; known interoperability limitations with third-party tools; and the true total cost of ownership, including the cost of remaining a customer over five and ten-year horizons. Where vendors are unwilling to provide this transparency, buyers should treat that unwillingness as material information about the commercial relationship they are entering.

9.7 Guidance for UK Public Sector Buyers

We would respectfully suggest that UK public sector buyers, including central government departments, the NHS, and local authorities, face a particular responsibility to model good procurement practice. Crown Commercial Service frameworks such as G-Cloud and the Memorandum of Understanding with Microsoft shape market expectations far beyond the direct procurement decisions they enable. We would encourage public sector buyers to:

- Pressure-test framework decisions for unintended consolidation effects.
- Insist on portability, exit assurances, and operational resilience provisions in framework agreements.

- Build internal technology and architecture capability so that public bodies can engage vendors as informed buyers rather than dependent customers.
- Coordinate procurement intelligence across departments, so that the public sector's collective leverage is not fragmented at the negotiating table.

9.8 The Role of Independent Advisory

Finally, we would note that the structural information asymmetry between enterprise software vendors and their customers is substantial. Vendors employ large sales and account teams armed with proprietary pricing data, competitive intelligence, and skilled negotiators. Most enterprise buyers face these conversations once every few years, at most, and rarely with comparable information or experience.

Buyers are often supported by analyst firms, systems integrators, and consultancies. Many of these advisers do excellent work. However, much of the broader advisory ecosystem is financially intertwined with the vendors it evaluates: analyst firms receive vendor sponsorships and paid engagements; systems integrators earn implementation revenue tied to specific platforms; and resellers earn margin on the products they recommend. Recent studies indicate that a substantial majority of buyers distrust large organisations, and trust in large technology providers is lower still. The ecosystem that surrounds the buyer does not always earn back that trust.

In our view, genuinely independent advisory firms -- those that do not resell software, do not receive referral fees, and do not implement on behalf of specific vendors -- play an important role in helping enterprise buyers navigate these decisions on their merits. We believe the CMA could usefully encourage UK organisations, and particularly public sector buyers, to seek independent advice when making material enterprise software commitments. We make this observation in a structural rather than self-promotional spirit; the principle applies regardless of which independent adviser an organisation chooses to engage. Healthy markets require buyers who are as well-informed as the vendors selling to them.

10. Closing Statement

Microsoft has contributed significant innovation and productivity advancements to enterprise technology markets, and many of the organisations we advise are genuinely better off for it. These comments should not be read as opposition to Microsoft or to integrated ecosystems generally.

However, as AI, cloud, productivity software, and enterprise applications converge into increasingly centralised ecosystems, preserving customer choice, interoperability, and competitive neutrality becomes strategically important for long-term market health and innovation. The decisions made by regulators in this moment, before AI-mediated workflows fully entrench, will likely shape the structure of enterprise software markets for the next decade.

The United Kingdom, through the DMCC Act and the CMA's proactive approach to digital markets, is well positioned to lead internationally on these issues. We believe the CMA has an opportunity to set a precedent that balances innovation with the structural conditions necessary for healthy competition, not by constraining successful companies but by ensuring that markets remain contestable and that customers retain genuine choice.

In addition to the engagement evidence summarised above, the dynamics described in this submission are explored at length in my recently published book, Welcome to the Jungle, which examines how enterprise software vendors, systems integrators, and analyst firms have constructed an interlocking ecosystem that drives customers toward concentration, cloud lock-in, and diminished optionality. The book focuses on precisely the industry dynamics the CMA is investigating: bundling and commercial pressure, the shift from software ownership to tenancy, the structural mechanics of switching costs, and the emerging role of AI as the new control layer of enterprise software. I would be pleased to present a summary of the book to the CMA case team or relevant stakeholders, and to provide complimentary copies of the book to members of the investigation committee at no charge, should the CMA find it useful.

Third Stage Consulting Group appreciates the opportunity to contribute these observations. We would welcome the opportunity to provide further detail, anonymised case examples, or follow-up testimony should the CMA find it useful.

Respectfully submitted,

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