

Invitation to Comment: SMS Investigation into Microsoft's business software ecosystem

Question 1: Please give your views on the proposed scope of our investigation and candidate descriptions of Microsoft's business software ecosystem

We consider the scope of the CMA's assessment of Microsoft is valid and appropriate. We also agree that the candidate descriptions provided (Productivity Software Suite, PC Operating System, Server Operating System, RDBMS and Security Software) are appropriate to the respective areas.

Question 2: Please provide any submissions or evidence relevant to the avenues of investigation we have set out above. Are there other issues that the CMA should take into account, and if so, why?

Our organisation operates a global, complex IT environment and is significantly invested in Microsoft technologies, including Microsoft 365, Azure, Windows and associated security services but we also review this against other providers across each stack

Our experience is that Microsoft's ecosystem delivers clear benefits in terms of integration, security and operational efficiency. However, this same integration creates material challenges around flexibility, switching costs and long-term vendor dependence. In practice, moving workloads or services away from Microsoft platforms can be costly and disruptive, particularly where identity, collaboration and cloud services are tightly coupled.

Licensing structures and bundling have a strong influence on our architectural decisions. For example, inclusion of tools such as Teams within enterprise agreements can shape collaboration choices, while disparities in licensing across cloud environments can discourage multi-cloud strategies. We also observe that third-party interoperability is often achievable but limited in depth compared to native integrations.

Looking ahead, we anticipate that embedding AI capabilities (such as Copilot) could intensify these dynamics, given value is closely tied to integrated data and workflows.

Question 3: What are your views on how business software may evolve in future, including as a result of AI and increased cloud adoption, and how Microsoft's business software ecosystem might be affected by these changes?

Business software will continue to evolve rapidly, driven by AI and cloud adoption, but with a noticeable shift in how solutions are designed. In practice, we expect a divergence between "AI-enabled" platforms—where existing products have AI features layered on—and "AI-first" solutions where AI is embedded at the core of how the software operates.

From an enterprise operations perspective, we already see how tightly integrated Microsoft 365, Entra ID, Defender, and Azure are. That integration delivers clear benefits around security, identity coherence, and manageability at scale. As Copilot matures, we expect it to further enhance productivity by working across Teams, SharePoint, and Outlook using organisational data.

However, this also reinforces dependency. AI capabilities built on Microsoft Graph and native integrations are inherently advantaged, making it increasingly difficult to adopt or integrate competing tools. At the same time, newer AI-first vendors are likely to challenge this model by offering more flexible, composable solutions designed around open workflows.

Cloud adoption is likely to continue to standardise environments onto integrated platforms, but questions around portability and licensing—particularly outside Azure—will remain important.

Overall, while Microsoft’s ecosystem is well positioned to benefit from these trends, there is a real risk that innovation and choice narrow over time. We consider it important to maintain interoperability and flexibility as AI becomes more deeply embedded.

Question 4: Please give your views on whether the issues outlined in this section are the right ones for the CMA to focus on, or whether there are others we should consider.

The issues the CMA has set out broadly align with what we see in practice and are, in our view, the right ones to focus on. In particular, the interaction between bundling, integration, and the way new functionality is introduced is highly relevant from an enterprise IT perspective.

Point 50 stands out as especially important. In reality, when Microsoft adds new capabilities—whether that’s enhanced security through Defender or AI features via Copilot—into existing bundles like M365 E3/E5, it can quickly shift where decisions land. Even where a third-party product might be a better fit for a specific need, the combination of existing licensing, tight integration, and the fact it’s “already there” often leads to Microsoft becoming the default choice. It’s less about hard restrictions and more about how the commercial and operational model naturally pulls you further into the ecosystem.

The other focus areas are also valid. Interoperability can be challenging in practice, particularly where identity (Entra ID), collaboration (Teams/SharePoint), and security tooling are closely linked. Defaults and user experience also play a role in shaping behaviour.

If anything, we would emphasise the combined effect of these factors over time—they don't operate in isolation, but together reinforce dependency in a way that's difficult to unwind.

Question 5: Please give your views on whether there are potential interventions that are likely to be necessary, and which may be effective, proportionate and have benefits for UK users and consumers.

Integration across productivity, identity, platform, and security layers is now so tight that it naturally creates barriers to switching and makes genuinely multi-vendor approaches harder to sustain.

That said, it's important to recognise that this same integration delivers real value. In our environment, having identity, security, and productivity tools working cohesively (for example across Entra ID, Defender, and Microsoft 365) simplifies operations, strengthens security, and improves user experience. Any intervention needs to be careful not to undermine those benefits.

Question 6: What are/ the key lessons the CMA should draw from measure imposed on Microsoft, in respect of its business software ecosystem, in other jurisdictions

Intervention needs to be tightly targeted to have any real impact. If it's too broad, it risks undermining the benefits of integration, particularly around security, identity, and operational efficiency.

The EU Teams unbundling shows that choice on paper doesn't always change behaviour—existing licensing and integration still tend to pull organisations back toward Microsoft. So, unbundling alone may be insufficient.

Interoperability needs to be meaningful, enabling competition rather than just basic integration. Alongside that, commercial dynamics—particularly how new capabilities are bundled—play a significant role in shaping decisions.

With tools like Copilot, we see a risk of further lock-in, this underlines the important of data access and fairness in mitigating that risk.

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