

Strategic Market Status investigation into Microsoft's Business Software Ecosystem

**Indicative roadmap for promoting
competition in relation to business
software**

16 October 2026

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The Competition and Markets Authority has excluded from this published version of the proposed decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure).
The omissions are indicated by [✂].

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1. Summary

- 1.1 A dynamic, innovative and contestable business software market will ensure that UK customers can negotiate good deals and combine best in breed software from different providers where this suits their needs. It can also deliver substantial benefits to the UK economy. Enabling access to the most innovative technology at competitive prices will drive down the cost of doing business and unlock productivity gains by supporting diffusion of that technology across the economy.
- 1.2 Open competition will also ensure that a wide range of companies (including UK startups and scaleups) can win customers and scale if they offer a better deal or more innovative product – whether they build a suite of products or specialise in a particular area. Looking ahead, the development of cloud and enterprise AI is changing how UK customers use business software. It is vital that competition works well at such technological inflection points as the potential to transform outcomes for UK businesses by disrupting the status quo is enormous.
- 1.3 Microsoft has been the key provider of business software for decades, centred on the Windows PC and Server operating systems and Office applications, alongside database products and related identity access and security software. Its Business Software Ecosystem is core to the operations of most UK businesses and the public sector. Over a million organisational customers rely on the Microsoft Business Software Ecosystem every day.
- 1.4 UK businesses and public sector organisations have benefited from the innovation that Microsoft has brought via its broad suite of business software products. At the same time, we have seen evidence that rival providers face challenges to effectively compete with Microsoft's Business Software Ecosystem, limiting choice for UK customers. We have today [proposed](#) to designate Microsoft as having strategic market status (**SMS**) in respect of its Business Software Ecosystem – comprising Microsoft's Productivity Software Suite (**PSS**), Personal Computing Operating System (**PC OS**), Security Software, Server Operating System (**Server OS**) and Relational Database Management System (**RDBMS**) – acknowledging the strength of its position and the limits to the competition it faces.
- 1.5 Our proposed SMS designation does not find or assume wrongdoing. Instead, designating Microsoft with SMS would enable us to consider proportionate, targeted interventions to ensure that its Business Software Ecosystem is open to effective competition, and that businesses that rely on Microsoft have the information they need and can have confidence that they are treated fairly.
- 1.6 In parallel to our investigation into whether to designate Microsoft with SMS in respect of its Business Software Ecosystem, we have been considering the need for potential interventions to promote competition, if we were to designate. This Roadmap sets out how we propose to approach the next stage of this work. In it,

we set out the legal framework governing the imposition of interventions; the feedback we have received from Microsoft and market participants in relation to potential barriers to effective competition; and our planned areas of focus for further evidence gathering and analysis during the first half of any designation period.

- 1.7 The Roadmap does not set out the evidence or reach a view on interventions that should be proposed (or put in place). Rather, the Roadmap is intended to give more certainty to Microsoft and other market participants on our planned work. We will gather further evidence to consider the extent of any barriers to effective competition and possible interventions that might address them, including through inviting views from interested parties in response to this Roadmap.
- 1.8 In identifying these planned areas of focus for further work, we have had regard to the CMA's [Prioritisation Principles](#) and the [UK Government's strategic steer to the CMA](#). In particular, we propose to focus our work on areas where potential interventions, in the event of designation and if warranted, may have a clear and beneficial impact for UK consumers, businesses and the UK economy.
- 1.9 We have identified four focus areas, which relate to:
- (a) promoting competition in adjacent activities that may be impacted by Microsoft's conduct in relation to its Business Software Ecosystem, namely cloud services; and
 - (b) promoting competition in relation to Microsoft's Business Software Ecosystem in the following areas: AI features and functionality within productivity software, communication and collaboration (**C&C**) applications and security software.
- 1.10 **Cloud services.** Cloud services provide critical infrastructure for the UK's economy, and it is therefore vital that competition works well in these markets. In July 2025, a CMA inquiry group's [Cloud Market Investigation Final Decision Report \(Cloud MI\)](#) concluded that Microsoft's licensing practices in relation to certain business software limit customer choice and reduce competition in cloud services. Our proposed decision on SMS provisionally finds that Microsoft has substantial market power in the relevant business software products. The evidence we have received since the Cloud MI shows that Microsoft has not altered its licensing practices in respect of that software. As such we plan to carry out further work on whether and how to address these concerns under the framework of the Digital Markets, Competition and Consumers Act 2024 (the **Act**), should Microsoft have SMS in respect of its Business Software Ecosystem.
- 1.11 **AI tools and functionalities for PSS.** UK organisations can benefit most from AI innovation if they can freely choose the best AI tools and functionalities for their

needs. We plan to assess whether rival providers of AI-powered tools for PSS can integrate with, work alongside and be discovered and accessed from Microsoft's Business Software Ecosystem. We acknowledge that this is a fast-moving area, and we plan to gather further evidence to help us understand current market realities, and consider the impact of potential interventions in this area.

- 1.12 **C&C applications** have become central to modern working, particularly following the shift towards hybrid working. The European Commission (**EC**) previously investigated a complaint that Microsoft was leveraging its strong position in productivity software to distort competition for C&C applications, through bundling of Teams within wider productivity suites and offering insufficient interoperability and integration with rivals. To address this complaint, the EC accepted a package of commitments combining unbundling, interoperability and transparency measures in 2025.¹ These commitments do not currently apply formally in the UK.² As part of our further evidence gathering, we will consider the case for possible action in the UK, taking into account the operation of the commitments in Europe and any evidence of barriers to competition in the UK.
- 1.13 **Security software.** Security software is critical for organisations' ability to operate securely and reliably, whether to protect sensitive data, prevent unauthorised access, or other cyber risks. We have heard concerns from security software rivals that, while Microsoft provides interoperability mechanisms that allow third-party products to integrate with Microsoft's Business Software Ecosystem, those mechanisms do not always enable functionality equivalent to the integration available to Microsoft's own security software products. We have also heard concerns from security providers that Microsoft's bundling and licensing of products may unduly disadvantage third-party providers relative to Microsoft's own products. We shall consider these issues further to help us decide whether to identify security software as an area for investigating potential intervention.
- 1.14 We plan to gather further evidence to inform our next steps and will provide an update following our final decision on SMS. Were we to propose interventions in relation to any of these areas, further work would be needed to ensure that any measure is an effective and proportionate response, in line with the statutory requirements. As part of this, we would consult on any proposed interventions before imposing them.
- 1.15 Should stakeholders have views on the Roadmap, they can be sent to business.software.sms@cma.gov.uk. In particular we welcome views on:

¹ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025AT40721\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025AT40721(02)) accessed by the CMA 15 October 2026; [AT_40721_7173.pdf](#) accessed by the CMA 15 October 2026; [Microsoft Teams and Microsoft 365 Commitments](#) accessed by the CMA 15 October 2026 and [Evolving our productivity offerings to resolve Microsoft Teams concerns| Microsoft 365 Blog](#) accessed by the CMA 15 October 2026.

² [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025AT40721\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025AT40721(02)) ; [AT_40721_7173.pdf](#) accessed by the CMA 15 October 2026.

- (a) whether we have focused on the right areas for further work;
- (b) evidence of the impact of any issues both now or in the future; and
- (c) views on possible intervention options.

1.16 Any such views will be considered alongside ongoing engagement with stakeholders, ahead of providing an update following our final decision on SMS.

2. Introduction

- 2.1 On 14 May 2026, we opened an ‘SMS investigation’ into whether to designate Microsoft as having SMS in respect of its Business Software Ecosystem. We have now published our proposed decision on SMS, which provisionally concluded that Microsoft has SMS in respect of its Business Software Ecosystem.³ Alongside the proposed decision on SMS, this Roadmap sets out the areas where we plan to conduct further work with a view to possible prioritisation for potential intervention in the first half of a designation period.
- 2.2 This indicative Roadmap is intended to provide clarity to Microsoft and other stakeholders on where we will focus our investigation to assess, and potentially address, competition issues if we were to designate Microsoft with SMS in respect of its Business Software Ecosystem. We will gather further evidence to consider the issues and potential interventions that may address them, including by inviting views from interested parties in response to this Roadmap.
- 2.3 Similar to previous SMS investigations, our approach to date has been informed by the CMA’s Prioritisation Principles⁴ and the UK Government’s strategic steer.⁵ The areas highlighted in this Roadmap are those we consider, at this early stage, where potential interventions may have a clear and beneficial impact for UK consumers, businesses and the UK economy and we may be well placed to intervene.
- 2.4 Should we designate Microsoft with SMS in respect of its Business Software Ecosystem and propose interventions, further work would be needed to ensure any measure is an effective and proportionate response, in line with the statutory requirements. As part of this, we would consult on any proposed interventions before imposing them.
- 2.5 We set out below an overview of the legal framework we apply when considering and imposing any interventions.

Legal framework

- 2.6 The Act enables the CMA to impose interventions on designated firms in the form of Conduct Requirements (**CRs**) and Pro-Competition Interventions (**PCIs**).

³ Proposed decision on SMS in respect of Microsoft’s Business Software Ecosystem. In the proposed decision on SMS, we have provisionally concluded that the PSS, PC OS, Server OS, RDBMS and Security Software should be treated as a single digital activity, referred to as a Business Software Ecosystem.

⁴ [Prioritisation Principles](#), 30 October 2023.

⁵ [Strategic steer to the Competition and Markets Authority](#), Department for Business and Trade, 15 May 2025.

- 2.7 The CMA will have regard to its Prioritisation Principles when considering whether and how to address issues in relation to a relevant digital activity.⁶
- 2.8 We will only intervene where there is evidence that it would be effective and proportionate to do so. Before being imposed, any potential CRs or PCIs will be subject to assessment and public consultation, in accordance with the processes and legal framework set out in the Act and our guidance.⁷
- 2.9 CRs can only be imposed for the purposes of one or more of the following statutory objectives:⁸
- (a) Fair dealing: that users or potential users⁹ of the relevant digital activity are treated fairly and able to interact, whether directly or indirectly, with the undertaking on reasonable terms;
 - (b) Open choices: that users or potential users of the relevant digital activity are able to choose freely and easily between the services or digital content provided by the undertaking and services or digital content provided by other undertakings; and
 - (c) Trust and transparency: that users or potential users of the relevant digital activity have the information they require to enable them to:
 - (i) understand the services or digital content provided by the undertaking through the relevant digital activity, including the terms on which they are provided; and
 - (ii) make properly informed decisions about whether and how they interact with the undertaking in respect of the relevant digital activity.
- 2.10 CRs must also be of a ‘permitted type’ set out in an exhaustive list in the Act (for example, requirements to trade on fair and reasonable terms, refrain from restricting interoperability or not use data unfairly).¹⁰
- 2.11 PCIs can only be imposed following a further investigation that identifies an adverse effect on competition (**AEC**) arising from factors relating to a digital activity in which a firm has been designated with SMS.¹¹ The purpose of a PCI is to remedy, mitigate or prevent an adverse effect on competition.¹²

⁶ See [Digital markets competition regime guidance](#), December 2024 (**CMA194**), paragraphs 3.11 and 4.42.

⁷ See **CMA194**.

⁸ Sections 19(5) – 19(8) of the Act.

⁹ ‘Users’ means any users of the relevant service or digital content, and includes any person, legal or natural: section 118(1) of the Act. This is to be understood in very broad terms to include a person or business that interacts in any way with the relevant digital activity, at any level of the supply chain: explanatory notes to the Act, paragraph 533(f).

¹⁰ Sections 19(9) and 20 of the Act.

¹¹ Section 46 of the Act.

¹² Section 46(1) of the Act. See also **CMA194**, paragraphs 4.19 – 4.20.

- 2.12 Any CR or PCI must also be proportionate for the purpose for which it is imposed. This means it must:¹³
- (a) be effective in achieving its intended aim;¹⁴
 - (b) be no more onerous than it needs to be to achieve that aim;
 - (c) be the least onerous measure, where there are multiple equally effective options; and
 - (d) not produce disadvantages disproportionate to its aim.
- 2.13 Before imposing a CR or combination of CRs, we will take account of consumer benefits that we consider would likely result (directly or indirectly) from the CR or combination of CRs.^{15, 16}

¹³ In assessing whether these criteria are met for CRs, the CMA will consider the potential (positive and negative) effects of any CR or combination of CRs on those most likely to be affected by it which, depending on the CR(s) in question, may include the SMS firm, third parties, consumers, business users and wider effects. See [CMA194](#), paragraph 3.34.

¹⁴ In making this assessment, the CMA will have regard to a number of factors, including: the likely impact of the intervention on the identified concern (or AEC and associated effects, as applicable); the timescale over which the intervention is likely to have an effect; the risk of the intervention not achieving its intended aim and/or giving rise to unintended consequences; and practical considerations. For CRs, we will also consider whether a particular CR is sufficiently flexible to be future proofed against foreseeable changes. See [CMA194](#), paragraphs 3.31 and 4.30.

¹⁵ Section 19(10) of the Act.

¹⁶ In the event that, following a further investigation that identifies an AEC, we assess whether to make a PCI, we may have regard to any benefits to UK users or UK customers that have resulted or may be expected to result from the factor or combination of factors which are giving rise to the AEC. Section 46(2) of the Act. See also [CMA194](#), paragraphs 4.36 – 4.39.

3. Feedback we have received

- 3.1 Subject to a decision on whether Microsoft has SMS in respect of its Business Software Ecosystem, we have been investigating¹⁷ the case for possible intervention in relation to its Business Software Ecosystem to ensure that:
- (a) Microsoft's technical design does not unnecessarily restrict customers' ability to use alternative providers;
 - (b) Microsoft's commercial arrangements do not limit effective competition;
 - (c) effective user choice is not undermined through Microsoft's design of user interfaces; and
 - (d) Microsoft cannot use its market power in respect of its Business Software Ecosystem to distort competition in adjacent activities, such as cloud services.
- 3.2 These practices can create concern where they prevent effective competition and lead to higher prices, lower quality, less choice and inability for UK organisations to use the best software tool for their needs.
- 3.3 We set out below the feedback we have received in relation to these issues,¹⁸ which has informed our assessment of the areas of focus (and possible interventions therein) for our next stage of information gathering and analysis.

Ensuring that Microsoft's technical design choice does not unnecessarily restrict customer's ability to use alternative providers

- 3.4 We have heard that alternative business software providers rely on the ability to integrate with Microsoft's Business Software Ecosystem and individual Microsoft products and functionalities to reach customers, grow their businesses, innovate and ultimately compete with Microsoft's own products. As a result, Microsoft's position might impact the extent of competitive pressure that these alternative providers can impose.
- 3.5 In response to our invitation to comment, alternative providers submitted that interoperability with Microsoft's business software and systems exists but that it is not equivalent to what is made available for Microsoft's own products. Our

¹⁷ As anticipated in our [Invitation to comment](#), paragraph 41.

¹⁸ The feedback we have received in relation to cloud licensing is set out in Section 4.

customer research found that operational barriers are one of the main barriers identified by customers when considering switching software providers.¹⁹

3.6 The three technical integration issues raised most frequently by alternative business software providers were:

- (a) **Asymmetric access to customer data:** alternative providers raised concerns that Microsoft's own products have preferential access to M365 data, Graph APIs, as well as organisational context and workflow information. Rivals said that this can make their products appear less effective when used within Microsoft's Business Software Ecosystem, by reducing rivals' products' functionality and increasing engineering burden.²⁰
- (b) **Data portability:** alternative providers highlighted that customers face data portability challenges when switching to alternative providers. They noted that the process to extract communications, collaboration and organisational data is costly, disruptive and often proving to be incomplete.²¹
- (c) **Asymmetric access to integration points:** alternative providers identified deep integration between Microsoft products which they are unable to match as an issue from two perspectives:
 - (i) Alternative providers considered that Microsoft's deep integration²² between products in its Business Software Ecosystem makes it harder for customers to switch single products, with the switching process triggering wider implications for the customers' technical infrastructure. According to alternative providers, this creates migration complexity for customers and can create ecosystem lock-in.²³
 - (ii) Alternative providers said they lack equivalent integration with products in Microsoft's Business Software Ecosystem compared with Microsoft's own products, meaning they are unable to match the same seamless experience when customers use their products within Microsoft's Business Software Ecosystem.²⁴

¹⁹ Jigsaw Customer Research, 28 September 2026, page 8, paragraph 20. See, further, the Grouping section of Chapter 4 of the proposed decision on SMS, and in particular the sub-sections 'The technically integrated nature of Microsoft's offering across these digital activities' and 'Customer views on advantages of consolidating purchases with Microsoft across the group'.).

²⁰ [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to s69 notice [X]; [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to s69 notice dated [X]

²¹ [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to s69 notice dated [X].

²² Alternative providers identified dependencies on Entra ID, SharePoint, OneDrive, Teams, Windows, Intune, Defender and related ecosystem components as an important source of competitive advantage.

²³ [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to s69 notice dated [X].

²⁴ [X] response dated [X] to s69 notice dated [X]; [X] response to s69 dated [X]; [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to s69 notice dated [X].

Ensuring that Microsoft's commercial arrangements do not limit effective competition

- 3.7 Alternative business software providers considered Microsoft's commercial bundling as having a substantial impact on their ability to compete, by raising the perceived cost for customers of retaining or choosing alternative software providers' products.
- 3.8 They submitted that Microsoft's bundling practices make it difficult to compete due to the perception of Microsoft products included in the bundle having little or no marginal cost. They argued that this precludes alternative providers from competing with individual products included within the bundle. Alternative providers submitted that the bundling extends beyond the M365 bundles to the wider Business Software Ecosystem with large customers often bound to multi-year agreements (through Enterprise Agreements) making the adoption of additional non-Microsoft products unattractive due to high switching costs.²⁵
- 3.9 Our customer research found that participants perceive Microsoft products as offering value for money, with bundles seen as more cost-effective than buying separate licences. The research also found that some of the add-on products included in the bundles were seen as 'already paid for' and therefore almost 'free'.²⁶

Ensure that effective user choice is not undermined through Microsoft's design of user interfaces (choice architecture)

- 3.10 Choice architecture describes the environment in which users act and make decisions, including the presentation and placement of choices and the design of interfaces.²⁷ Pre-installation and defaults have previously been found to have significant impact on customer product choice.²⁸
- 3.11 Alternative providers said that where rival products are used alongside Microsoft's business software, Microsoft-controlled workflow surfaces, entry points and user journeys can make the end user experiences of these rival products worse than where equivalent Microsoft products are used. Overall, these alternative providers

²⁵ [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to CMA s69 Notice dated [redacted]; [redacted] response dated [redacted] to CMA s69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to s69 notice dated [redacted]. See further Chapter 5 of the Proposed Decision.

²⁶ Jigsaw Customer Research, 28 September 2026, page 27, paragraph 120.

²⁷ As defined in Fletcher, A (2023), [Choice architecture for end users in the DMA](#), page 5. See also Sunstein, CR (2015), *Choosing Not to Choose: Understanding the Value of Choice*, page 5; and [Evidence review of Online Choice Architecture and consumer and competition harm](#), accessed by the CMA on 8 October 2026.

²⁸ The CMA's online platforms and digital advertising market study found that default behaviour by consumers has had a profound impact on the shape of competition in both search and social media. See Online platforms and digital advertising market study, [Final report](#), 1 July 2020, paragraph 32, page 13.

gave a range of examples which they believed showed that Microsoft can impede customers in having a fair opportunity to make an independent choice, by making its own functionality the default and easier to access. These included:

- (a) Microsoft functionality and applications appearing prominently in popular PSS products;²⁹ and
- (b) Microsoft steering users towards its own products, even where users set a third-party product as a default.³⁰

Other issues

- 3.12 Business software competitors raised further issues in relation to what they considered to be ecosystem advantages: network effects, procurement advantages and Microsoft product familiarity.³¹
- 3.13 Alternative providers submitted that network effects and familiarity of Microsoft products with users created significant barriers to competition. Specifically, they submitted that extensive use of Microsoft products by other businesses or through established sector or regulatory practices makes it challenging for customers to consider switching to alternative products.³²
- 3.14 Similarly, alternative providers submitted that retraining costs faced by companies choosing alternatives to Microsoft may significantly outweigh (in the short term) the benefits of switching to an alternative product.³³
- 3.15 Alternative providers identified procurement challenges when competing with Microsoft. They submitted that Microsoft, as an approved supplier, has a longstanding relationship with its customers, with the adoption of new Microsoft products potentially involving less complexity than alternative providers' products which would be new to the procurement process.³⁴ Additionally, alternative providers and customers acknowledged that some customers, particularly smaller

²⁹ Some of the examples of Microsoft's functionality and applications being presented prominently included: a lack of choice of third-party C&C applications accessed through 'buttons' in Microsoft applications, use of Microsoft products as default for a PSS product eg PowerPoint and placement of Microsoft Teams in Outlook
[redacted] response dated [redacted] to s69 dated [redacted].

³⁰ Some of the examples of Microsoft's steering practices included: (a) Outlook's default position to insert a Teams meeting link and steering customers to "join online" through Teams"; (b) customers of Office 365 may experience a default pull toward Copilot with the product being bundled and pre-provisioned while other productivity suites' AI-layer are more openly contested on product merit; and (c) steering customers to use Edge through a range of steering practices making it more difficult for users to access or select alternative browsers. Browser Alliance submission dated 31 August 2026, page 17, [link](#)

[redacted] response dated [redacted] to s69 dated [redacted]; [redacted] response dated [redacted] to s69-1 dated [redacted]

³¹ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]

³² [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

³³ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

³⁴ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

customers, can see benefits in streamlining the procurement process to one supplier – having a ‘one-stop shop’.³⁵ Alternative providers submitted that these dynamics, when considered in combination, amplify the challenging competitive environment they consider to be faced by alternative providers when trying to compete with Microsoft.³⁶

³⁵ Jigsaw Customer Research paragraph 14, page 7. [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to s69 dated [redacted].

³⁶ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

4. Proposed areas of focus

Identifying areas of further work

- 4.1 As set out above, the CMA will have regard to its Prioritisation Principles³⁷ when considering whether and how to address issues in relation to a relevant digital activity.
- 4.2 There are five principles the CMA will consider:
- (a) Strategic significance: As part of considering whether the action fits with the CMA's objectives and strategy, it will prioritise pro-growth and pro-investment interventions, and those which can support growth and international competitiveness in the growth-driving sectors identified in the government's industrial strategy.
 - (b) Impact: The CMA will prioritise those interventions which have a clear and beneficial impact for UK consumers, businesses and the UK economy.
 - (c) Whether the CMA is best placed to act: The CMA will consider the interplay of digital markets issues with the actions of other regulators and government bodies domestically and internationally.
 - (d) Risk: The CMA will rate as high-risk interventions where the overall impact is unlikely or highly uncertain, or there is a high risk of unintended effects.
 - (e) Resources: The CMA will rate an intervention as requiring high resources where significant resource from the CMA is needed to design, implement, monitor or enforce it.
- 4.3 At this stage of our assessment, we are focused on identifying the areas for further evidence gathering in relation to any potential interventions during the first half of any designation period, should we find that Microsoft has SMS in respect of its Business Software Ecosystem. It does not preclude us from re-evaluating these or other areas in the future. Any decision on whether to pursue specific interventions within those areas, or others, would be subject to further assessment, including in light of stakeholder responses to this indicative Roadmap.

Proposed areas of focus for further evidence gathering

- 4.4 Applying the Prioritisation Principles and having regard to the UK Government's strategic steer, we propose to carry out further work in the following areas:

³⁷ [Prioritisation Principles](#), 30 October 2023.

- (a) Cloud services, as an important adjacent activity where the Cloud MI found that competition is harmed by Microsoft's conduct in relation to aspects of its Business Software Ecosystem (and in scope of potential interventions that could be imposed if Microsoft were to have SMS in respect of its Business Software Ecosystem);³⁸
- (b) within Microsoft's Business Software Ecosystem:
 - (i) AI features and functionalities within PSS - Copilot;
 - (ii) C&C applications within PSS - Teams; and
 - (iii) Security Software.

4.5 We propose to focus on those areas where, based on our information gathering and analysis to date,³⁹ we consider that any potential interventions may have a clear and beneficial impact for UK consumers, businesses and the UK economy. Specifically, we have identified these as areas where potential interventions, in the event of designation and if warranted, are most likely to be effective at promoting competition.⁴⁰ We have also taken account of where we may be well placed to intervene.

4.6 We have set out below areas for further work, as informed by the issues that have been highlighted to us to date.⁴¹ Any future work on potential interventions would be subject to our finding that Microsoft has SMS in relation to its Business Software Ecosystem and further consideration and consultation as to the objective, type, proportionality and consumer benefit of possible interventions, in line with the legal framework outlined above.⁴²

Cloud licensing

4.7 Microsoft provides and hosts its business software on its cloud platform – Azure. Microsoft also permits some of its business software to be hosted on rival cloud service platforms, including AWS and Google Cloud. This includes the following products that we have provisionally found fall within its Business Software Ecosystem: Windows Server (Microsoft's Server OS), SQL Server (Microsoft's RDBMS), Microsoft 365 (part of Microsoft's PSS) and Windows 10/11 (Microsoft's

³⁸ Depending on the issues, proposed interventions might sit across a number of aspects of Microsoft's Business Software Ecosystem. For example, the cloud licensing practices we have considered to date relate to Microsoft's Server OS, RDBMS, PSS (Microsoft 365) and PC OS.

³⁹ Through our ongoing engagement with customers, competitors, stakeholders, as well as the responses to our invitation to comment and requests for information, as well as the customer research we have commissioned.

⁴⁰ In considering where we may look to promote competition, this is not necessarily the same as where any interventions might be needed. For example, to promote competition within cloud services, we may look to impose CRs on Microsoft's Business Software Ecosystem with respect to how it licenses the use of those products in the cloud.

⁴¹ See Section 3 of this indicative Roadmap.

⁴² See Section 2 of this indicative Roadmap.

PC OS).⁴³ Microsoft sets terms (including price and non-price terms) for rival cloud providers to be able to supply these products to UK customers via its licensing practices.

- 4.8 The Cloud MI concluded that Microsoft's licensing practices in relation to these products were reducing competition in cloud services markets, particularly for customers that purchase cloud services which use the relevant Microsoft software as an input, influencing choice of cloud service provider for UK customers.⁴⁴ The CMA found that the licensing practices adversely impacted the competitiveness of AWS and Google Cloud resulting in Microsoft facing weaker competitive constraints from its most significant competitors.⁴⁵
- 4.9 We have provisionally found that Microsoft has substantial and entrenched market power in its Business Software Ecosystem. This assessment takes account of, among other things, its substantial market power in each of PC OS, PSS, Server OS and RDBMS.⁴⁶
- 4.10 Over the course of the SMS investigation to date, we have heard from stakeholders that Microsoft's licensing practices in respect of the products set out in paragraph 4.7 have not materially changed since the Cloud MI⁴⁷ and that the practices limit customer choice of cloud provider and harm customers in the UK.⁴⁸ Specifically, we continue to hear concerns regarding a range of Microsoft's licensing practices which are summarised in Table 1 below.

⁴³ In addition to the four Microsoft products mentioned, the Cloud MI also considered Microsoft's licensing practices in relation to Visual Studio (Cloud MI, [Final Decision report](#), 31 July 2025, chapter 7 summary). Visual Studio is an Integrated Development Environment (IDE) used to develop software applications (see Chapter 4 of the proposed decision on SMS). As stated in Chapter 4 of the proposed decision on SMS, we provisionally consider that Visual Studio does not meet the functional description of the PSS digital activity and as such, we are not considering Microsoft's licensing practices in relation to Visual Studio at this stage.

⁴⁴ Cloud MI, [Final Decision report](#), 31 July 2025, Chapter 7 summary and paragraph 7.757. The CMA defined the following cloud services markets: (a) IaaS based on standard compute in the UK and EEA; and PaaS in the UK and EEA (Cloud MI, [Final Decision report](#), 31 July 2025, paragraphs 3.144 and 3.166).

⁴⁵ Cloud MI, [Final Decision report](#), 31 July 2025, paragraph 7.776.

⁴⁶ See Chapter 5 of the proposed decision on SMS.

⁴⁷ Note of call with [redacted]; Note of call with [redacted].

⁴⁸ Note of call with [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

Table 1: Concerns we have heard over the course of our SMS investigation to date in relation to Microsoft's licensing practices

Windows Server	SQL Server	Microsoft 365	Windows 10/11
Customers cannot bring their existing Windows Server licences purchased after October 2019 to Listed Providers. ^{49 50}	Customers cannot bring their existing SQL Server licences for managed SQL Server products to certain Listed Providers. ⁵¹	Customers cannot bring their existing Microsoft 365 licences to a non-Azure Listed Provider. ⁵²	Customers cannot bring their existing Windows 10/11 licences to a non-Azure Listed Provider. ⁵³
Licences purchased prior to October 2019 must be run on dedicated hardware. ⁵⁴	Licences purchased prior to October 2019 must be run on dedicated hardware. ⁵⁵	Customer can bring their existing Microsoft 365 licences but only to certain plans on a non-Azure Listed Provider's Virtual Desktop Infrastructure (VDI) offering and face additional dedicated hardware requirements and add-on Virtual Desktop Access (VDA) licence fees. ⁵⁶	Customers can bring their existing Windows 10/11 licences to a non-Azure Listed Provider but face additional VDA add-on licence fees and must be deployed on dedicated hardware. ⁵⁷
Windows Server is available under the SPLAs with Listed Providers at a high price. ^{58 59}	SQL Server is available under the SPLAs with Listed Providers at a high price. ⁶⁰	Listed Providers cannot sell Microsoft 365 licences via their SPLAs. ⁶¹	Listed Providers cannot sell Windows 10/11 licences via their SPLAs. ⁶²
Reduced functionality on Listed Provider. ⁶³	Reduced functionality on Listed Provider. ⁶⁴		Customers are unable to run Windows Desktop multisession mode on Listed Providers compared to Azure. ⁶⁵

4.11 We are keen to understand further the extent to which Microsoft's licensing practices continue to limit UK customer choice of cloud service provider leading to

⁴⁹ 'Listed Providers' are defined by Microsoft as including Alibaba, Amazon, Google and Microsoft although the Azure Hybrid Benefit effectively means that Microsoft is not subject to the same restrictions.

⁵⁰ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] submission to the CMA dated [redacted].

⁵¹ [redacted] response dated [redacted] to section 69 notice dated [redacted]. [redacted] response [redacted] to section 69 notice [redacted].

⁵² [redacted] submission to the CMA dated [redacted].

⁵³ [redacted] submission to the CMA dated [redacted].

⁵⁴ [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁵⁵ [redacted] submission to the CMA dated [redacted].

⁵⁶ [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁵⁷ [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁵⁸ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁵⁹ Listed Providers can resell Windows Server and SQL Server as part of their own cloud solutions subject to the terms of Service Level Provider Agreements (**SPLAs**) they have with Microsoft.

⁶⁰ [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁶¹ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁶² [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁶³ For example, customers of non-Azure Listed Providers are denied unlimited virtualisation rights for Windows Server Datacentre ([redacted] response dated [redacted] to section 69 notice dated [redacted]).

⁶⁴ For example, customers of non-Azure Listed providers are denied unlimited virtualisation rights, have reduced passive failover rights, and do not have dual use rights for SQL Server [redacted] response dated [redacted] to section 69 notice dated [redacted] [redacted] submission to the CMA dated [redacted]; [redacted] submission to the CMA dated [redacted].

⁶⁵ [redacted] response dated [redacted] to section 69 notice dated [redacted].

customers facing higher prices and degraded quality when procuring these services. In particular, we are keen to understand whether:

- (a) AWS and Google Cloud customers may face higher prices when procuring cloud services to deploy workloads using Microsoft products on their platforms compared to Azure.
- (b) Azure customers may face higher prices and reduced quality of service on Azure due to reduced competitive constraint from AWS and Google Cloud.

4.12 In carrying out further work on the issue of whether and how to intervene on Microsoft's licensing practices, we will assess whether it is appropriate and proportionate to take action using the following framework:

- (a) whether Microsoft has substantial market power in digital activities that include the products in question (which we have provisionally found it does), such that customers are less able to switch to alternative, and often differentiated, providers to negate the impact of the licensing practices;
- (b) whether the relevant Microsoft software is an important input into cloud services, so that Microsoft's licence costs influence cloud service procurement decisions for the relevant workloads; and
- (c) the potential impact of Microsoft's licensing practices on competition in terms of the number of customers and revenues affected; the extent of any price and non-price differentials customers face when procuring licences on Azure compared to AWS or Google Cloud; AWS and Google Cloud's ability to use counterstrategies to circumvent the effects of the practices; and the potential for customer benefits from Microsoft's licensing practices.

4.13 As part of this work we would consider the extent to which recent developments, such as growth of competing cloud providers and the prevalence of AI, affect any of the considerations of our framework.

4.14 Any further assessment would be targeted at understanding the extent to which UK businesses can freely choose where to deploy the Microsoft licensed business software products in question, irrespective of the deployment type (whether that is in cloud, PC or on-premises) or provider. Depending on the outcome of that work, we could in principle consider either, or a combination of, principles- and rules-based interventions such as:⁶⁶

- (a) an obligation on Microsoft to apply a fair, reasonable and non-discriminatory (**FRAND**) approach in relation to pricing these products regardless of which

⁶⁶ Cloud MI, [Final Decision report](#), 31 July 2025, paragraph 10.47(b); and [Appendix W: Remedies not taken forward in this market investigation](#), paragraph W.238.

cloud they are hosted on. Microsoft could be required to provide access to its business software products on FRAND pricing terms, where different fees and commercial terms are charged to different customers only where objectively justified. It could also be obliged to provide greater information transparency;

- (b) restrictions on Microsoft's ability to favour its own cloud through licensing practices which grant unequal access to these products and product functionality depending on which cloud the products are deployed on; and
- (c) changes to contractual licensing practices relating to the transfer and/or deployment by end customers of previously purchased products on the cloud of their choice.

AI products, features and functionality in PSS

- 4.15 As AI is being embedded in productivity software, it is expected to revolutionise how UK customers operate, supporting productive working and unlocking new products and services for UK customers and consumers. As this area evolves, it is important that third parties are able to compete with Microsoft's AI offerings in PSS⁶⁷ to ensure that UK business customers have access to the most innovative products that are best suited for their needs. We acknowledge that this is a fast-moving area, and we plan to gather further evidence to help us understand current market realities and consider the need for, and trade-offs from, potential interventions.
- 4.16 Microsoft submitted that rival firms can access organisational data and interoperate with its Business Software Ecosystem using publicly available APIs, and that as a result, third-party AI providers can obtain substantially the same access to Microsoft 365 organisational data as Copilot itself.⁶⁸
- 4.17 Alternative providers of AI tools have informed us of what they consider to be current and potential prospective constraints to their ability to compete with Microsoft in relation to AI products, functionalities and features that form part of PSS. They identified Microsoft's commercial arrangements as a source of competitive advantage for Microsoft's AI offering. For example, they submitted that Microsoft's customers have immediate access to the free version of Copilot, which may make users more likely to opt for a paid Copilot licence,⁶⁹ and that Microsoft's

⁶⁷ In our proposed decision on SMS, we provisionally consider that the scope of the PSS digital activity includes Microsoft's Office and Office 365 applications; Microsoft 365 Copilot and Microsoft 365 Copilot Chat, including features (such as Copilot Cowork and Agents for M365 Copilot) and access points (such as the Microsoft Copilot App and Microsoft 365 Copilot add-ins to other applications); and Microsoft Graph API, Work IQ, Microsoft 365 Admin Center and Agent 365 where they underpin, manage or deploy functionality that falls within the PSS digital activity. See further Chapter 4 of the proposed decision on SMS.

⁶⁸ Microsoft submission [3<].

⁶⁹ [3<] response dated [3<] to section 69 notice dated [3<]; [3<] response dated [3<] to section 69 notice dated [3<]; [3<] response [3<] to section 69 notice dated [3<].

discounted bundling practices (both via E7 and Enterprise Agreements) make it difficult for them to compete.⁷⁰

- 4.18 Other providers are also concerned about their ability to effectively integrate with Microsoft's Business Software Ecosystem, and about what they considered to be Microsoft's ability to leverage integration advantages across interconnected products, data and workflows. They said that the relevant question is not whether APIs exist but:
- (a) whether the APIs available to them offer the same functionality as is available to Microsoft's AI functionalities, and the potential fees they may incur for accessing these APIs;⁷¹
 - (b) whether their offerings can be easily discovered, invoked and used inside Microsoft-controlled surfaces;⁷² and
 - (c) whether their dependence on Microsoft, and its APIs, creates greater uncertainty for them and their customers than Microsoft itself faces, requiring them to devote significant resource responding to API changes.⁷³
- 4.19 Our customer research shows that AI assistant use in PSS is currently evolving, with business customers testing alternatives to Copilot, including Claude, Chat GPT and a wide range of other AI assistants.⁷⁴ However, the research did indicate that Copilot as part of PSS can benefit from Microsoft's existing position in PSS, with customers often opting to use Copilot for perceived security benefits and wider integration with the M365 offering. But they did also plan to continue using and testing other AI assistants where they proved more effective or fitted specialist needs.⁷⁵
- 4.20 There are also concerns from customers that, whilst they have purchased Copilot, the return on investment is currently unclear on what they perceive is a high licence cost.⁷⁶ They are also concerned about potential future price rises.⁷⁷ We intend to investigate further the nature of these concerns and whether they are felt because customers are unable to switch to an alternative provider of AI functionality.

⁷⁰ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁷¹ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁷² [redacted] to section 69 notice dated [redacted].

⁷³ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁷⁴ Jigsaw Customer Research, 28 September 2026, page 9, paragraph 30.

⁷⁵ Jigsaw Customer Research, 28 September 2026, page 10, paragraph 35.

⁷⁶ Jigsaw Customer Research, 28 September 2026, page 53, paragraph 210.

⁷⁷ Jigsaw Customer Research, 28 September 2026, page 53, paragraph 210.

- 4.21 If further investigation were to indicate a risk to the ability of alternative providers to compete effectively with Microsoft Copilot, potential future interventions could include:
- (a) Ensuring alternative providers can integrate with Microsoft's Business Software Ecosystem sufficiently to compete effectively via:
 - (i) Parity requirements, to enable alternative providers to access relevant Microsoft ecosystem functionality and data on equivalent terms to Microsoft's own AI features and functionalities.
 - (ii) Requirements to offer alternative provider products sufficient prominence in eg Microsoft's PSS suite, and requirements on how users can select, and amend defaults.
 - (iii) Minimum periods of notice for API changes, and fair and transparent interoperability request processes providing a clear and durable mechanism for securing rival interoperability over time.
 - (b) Ensuring that commercial arrangements do not unduly limit the ability of alternative providers to compete with Microsoft's AI tools in PSS via:
 - (i) Measures to improve transparency and certainty for customers around Microsoft's licensing conditions of AI features and functionalities.
 - (ii) Unbundling of Microsoft's AI features and functionalities from Microsoft's existing suites, so alternative providers' AI products remain a viable option alongside customers' use of the Microsoft PSS suite.

C&C applications in PSS

- 4.22 C&C applications have become central to modern working – particularly following the shift towards hybrid working. AI has the potential to materially enhance functionality in C&C applications, which can further support productive working. As such, effective competition for C&C applications would support growth by ensuring UK businesses can use the best software for their needs at the most competitive prices.
- 4.23 In line with our Prioritisation Principles, before proposing interventions in any specific area, we will consider whether the CMA is best placed to act, including by considering remedies already enforced by other regulators. This is particularly relevant for C&C applications, where the EC accepted a package of commitments

in September 2025.⁷⁸ These commitments include provisions that Microsoft must offer its Microsoft 365 suite without Teams, maintain meaningful price differences between bundled and unbundled offers, prevent discounting practices that would undermine these choices, and that it must provide interoperability measures allowing rivals to work effectively with Microsoft products, and enable data portability to facilitate switching. The changes have been rolled out on a voluntary basis globally by Microsoft, with additional guarantees for customers in the European Economic Area (EEA) region.⁷⁹

- 4.24 Microsoft submitted that customers who prefer not to deploy Teams need not do so. It submitted that core Office applications, among others, are available separately. For those who prefer ‘point solutions’, Microsoft said that it enables integrations and interoperability for third-party providers across the board. It gave the example of Slack, now part of Salesforce, which it says has grown to tens of millions of daily active users competing directly with Teams.⁸⁰
- 4.25 Alternative C&C application providers submitted that Microsoft continues to benefit from PSS customer perceptions of Teams as a default ‘zero cost’ choice,⁸¹ network and distribution advantages and an extensive user base which rivals may find hard to replicate.⁸² Alternative C&C application providers are also concerned that Teams benefits from native integration within Microsoft’s business software ecosystem, whilst third parties rely on APIs and connectors,⁸³ and that engagement and clarification from Microsoft on technical challenges and APIs have not always been forthcoming.⁸⁴
- 4.26 Customer evidence we have considered to date does not indicate significant switching from Teams to rivals since Microsoft’s changes following the EC commitments.⁸⁵ Customers valued Teams for being integrated with the rest of the Office suite, even if they saw it as sufficient rather than best-in-class,⁸⁶ though a large minority of respondents used Zoom and Slack in addition to Teams.⁸⁷
- 4.27 Were we to ultimately propose interventions in this area, our objective would likely relate to the promotion of competition by ensuring that Microsoft is not preferencing Teams or unduly preventing customers from easily adopting rival offerings alongside its PSS if they wish. The EC Teams commitments do not apply

⁷⁸ See Microsoft Teams and Microsoft 365 Commitments, accessed by the CMA on 28 September 2026 and Evolving our productivity offerings to resolve Microsoft Teams concerns| Microsoft 365 Blog, accessed by the CMA 28 September 2026.

⁷⁹ See Evolving our productivity offerings to resolve European competition concerns about Teams, accessed by the CMA 28 September 2026.

⁸⁰ Microsoft’s response [X].

⁸¹ [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X].

⁸² [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X].

⁸³ [X] response dated [X] to section 69 notice dated [X].

⁸⁴ [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X].

⁸⁵ Jigsaw Customer Research, 28 September 2026, page 38, paragraph 172.

⁸⁶ Jigsaw Customer Research, 28 September 2026, page 36, paragraph 163.

⁸⁷ Jigsaw Customer Research, 28 September 2026, page 37, paragraph 165.

formally in the UK.⁸⁸ As part of our further evidence gathering, we will consider the case for possible action in the UK, taking into account the operation of the commitments in the EEA and any evidence of barriers to competition in the UK.

Security

- 4.28 Microsoft's Security Software⁸⁹ is critical for organisations' ability to operate safely and reliably, whether to protect sensitive data, prevent unauthorised access, or control insider threats and other cyber risks. Its strategic impact is likely to grow in the future as customers combat risks of AI-enhanced cyberattacks and need to apply appropriate security controls as they start embedding AI agents into their work processes. Effective competition in security software would ensure that customers can purchase the best security software product for their needs, including from different providers where appropriate, at competitive prices. It would also enable greater opportunities for rival security software providers. Microsoft's Security Software is also a key contributing component to Microsoft's Business Software Ecosystem, meaning that it is important for competition to work effectively in security software, to help reduce possible barriers to competition found elsewhere.
- 4.29 Microsoft submitted that customers benefit from purchasing a range of security software from the wide selection of suites that it offers and that its products were interoperable through commonly used mechanisms such as documented APIs, integration hooks and platform extensibility.⁹⁰
- 4.30 While Microsoft provides interoperability mechanisms that allow third-party security software products to exchange information with products in Microsoft's Business Software Ecosystem such as M365 and other security software products, rival security software providers are concerned those mechanisms generally do not provide equivalent functionality to that available to Microsoft's own security software products.⁹¹ For example, they are concerned that the data available to them to detect and prevent threats is less complete and timely than what Microsoft receives,⁹² that Microsoft rivals face risks and constraints which do not apply to Microsoft (for example Microsoft-controlled APIs are subject to rate limits and

⁸⁸ See Microsoft proposes commitments to resolve European competition concerns about Teams - EU Policy Blog, accessed by the CMA on 28 September 2026.

⁸⁹ Which we provisionally consider includes Entra, Active Directory, Intune and Defender along with certain functionalities of Purview, Security Copilot and Agent 365, as set out further in the proposed decision on SMS.

⁹⁰ Microsoft's response dated [redacted] to section 69 notice dated [redacted]. Extensibility is the ability of a software product's functionality to be extended without having to modify the product itself (see contentful.com, 'What is extensibility?', accessed by the CMA on 15 July 2026).

⁹¹ [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

⁹² [redacted] dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted]; [redacted] response dated [redacted] to section 69 notice dated [redacted].

revocations that Microsoft controls unilaterally)⁹³ and that the practicality of customers switching to alternative providers' solutions is reduced as Entra ID is a must-have identity layer for many of Microsoft's products.⁹⁴

- 4.31 Alternative providers are also concerned about Microsoft's commercial practices. For example, they submitted that Microsoft's bundling of security capabilities and their inclusion in M365 licences and Enterprise Agreements played a significant role in purchasing decisions,⁹⁵ as customers had in many cases already purchased a Microsoft 365 suite and therefore Microsoft's security software was effectively perceived as zero cost.⁹⁶
- 4.32 Our customer research finds, across multiple products, that Microsoft's licensing and bundling impacts the perceptions of cost and value for money, and that buying a third-party alternative is sometimes perceived as paying twice unless the licensing tier can be reduced.⁹⁷ Some participants also said that Microsoft's offer in the security software category has improved in recent years, and that Defender's inclusion in E5, E3 or Business Premium licences makes them less inclined to look further or pay more for third-party providers.⁹⁸ However, for a minority of participants the superior capabilities of the third-party outweighed the convenience of solely using Microsoft Defender.⁹⁹
- 4.33 If we were to propose interventions in this area to promote competition, these interventions could be similar in nature to those described in paragraph 4.21. Including, for example, interventions to ensure that Microsoft's commercial bundling practices do not unduly disadvantage third-party security software providers relative to Microsoft's own products; and parity requirements, so that security software rivals can access relevant Microsoft ecosystem functionality, data and integration pathways on equivalent terms.

⁹³ [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X].

⁹⁴ [X] response dated [X] to s69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X].

⁹⁵ [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice [X]; [X] response dated [X] to section 69 notice dated [X].

⁹⁶ [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X] ; [X] response dated [X] to section 69 notice dated [X]; [X] response dated [X] to section 69 notice dated [X]

⁹⁷ Jigsaw Customer Research, 28 September 2026, page 35, paragraph 158.

⁹⁸ Jigsaw Customer Research, 28 September 2026, page 65, paragraph 248.

⁹⁹ Jigsaw Customer Research, 28 September 2026, page 66, paragraph 251.

5. Next steps

- 5.1 The next stage of our process will be to explore issues in these areas further with Microsoft, competitors and customers. In particular we welcome views on:
- (a) whether we have focused on the right areas for further work. For respondents who believe there are particular competition issues in relation to functions relating to the proposed designation other than those we have highlighted, we invite evidence of such issues, in line with our Prioritisation Principles, when responding to this document;
 - (b) evidence of the impact on competition, whether that is prices, quality or available choice, of any issues both now or in the future; and
 - (c) views on possible intervention options.
- 5.2 We will provide an update on our areas of focus following the final decision on SMS.
- 5.3 Anyone wishing to do so, should submit their views in writing to business.software.sms@cma.gov.uk or submit them via the online consultation portal by no later than 17.00hrs (UK time) on 13 November 2026. We would expect to publish responses to the consultation, subject to any representations made in relation to confidentiality of the information provided. Where responses include confidential information, this should be clearly marked. A non-confidential version should also be provided that can be published on the CMA's website.