

The Impact of the Microsoft and Activision-Blizzard Merger on the Gaming Industry: A Theoretical and Analytical Examination

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Abstract: Both Activision and Blizzard are regarded as two of the most successful and influential game development companies in the world. Due to the vast number of businesses that are contending for a share of the market, the commercial sector is characterized by a high degree of competitiveness. This is the case because of the presence of so many businesses. Mergers and acquisitions are common practices among gaming industry companies as they strive to fulfill their aims. The purpose of this study is to investigate the impact of the recent merger between Microsoft and Activision-Blizzard on the gaming industry from a theoretical and analytical perspective. Specifically, the study will examine how the gaming industry has been affected by the merger of these three companies. The main questions of this study are about three aspects of the impact of the merger between Microsoft and Activision-Blizzard on the competitive landscape of the gaming industry, the potential impact of this merger on innovation in the gaming industry, and what makes it different from previous mergers in the gaming industry. This study will examine the impact of the Microsoft-Activision-Blizzard merger on the gaming industry through the use of industry data, economic analysis, and case studies. The author will also consider previous research on mergers and acquisitions in the gaming industry to provide context for our analysis. The aim of this paper is to provide a detailed examination of the potential impact of the merger on competition and innovation in the gaming industry.

Keywords: impact, innovation, competition

1. Introduction

Previous research on the topic of mergers and acquisitions in the gaming industry has yielded findings that are in conflict with one another [1]. While a number of studies have come to the conclusion that mergers and acquisitions lead to an increase in a company's market dominance and a decrease in the amount of competition, others have discovered that these types of transactions actually foster innovation. According to the findings of one study that was conducted by Corts, mergers and acquisitions in the gaming industry increase market share and diminish competition. In the gaming industry, a review of a selection of mergers and acquisitions indicated that the merged firms had a larger market share and were able to charge higher prices than their non-merged counterparts.

On the other hand, a different study that was conducted by Liebenberg found that mergers and acquisitions in the gaming industry boost innovation [2]. The research looked at a small number of examples of mergers and acquisitions in the gaming business, and it came to the conclusion that the companies that had merged were more inventive than the companies that had not merged.

The goal of this study is to analyze, from both a theoretical and an analytical approach, how the recent merger between Microsoft and Activision-Blizzard Entertainment has influenced the gaming industry. Specifically, the research will look at how the gaming industry has been affected by the merger [3]. During the course of the study, we will make use of data from the industry, economic analysis, and case studies to evaluate the potential effects of the merger on innovation and competition in the gaming business. The investigation will also take into account previous studies that have been conducted on mergers and acquisitions in the gaming industry. This will allow for the provision of a point of reference for the investigation.

This investigation will place a particular emphasis on the proposed merger between Microsoft and Activision-Blizzard and the potential impact that this combination may have on the video game industry. In contrast to this, previous studies have concentrated on the far-reaching effects that mergers and acquisitions in the gaming industry can have on the sector as a whole. In addition, the new study will utilize a greater variety of data and analysis methods than any of the previous studies did, which will serve to give a more in-depth and comprehensive examination of the potential implications of the merger.

In conclusion, the findings of earlier research on mergers and acquisitions (M&A) in the gaming industry are expanded upon by the current study, which focuses specifically on the merger between Microsoft, Activision-Blizzard and the potential influence that it could have on the gaming industry [4]. This study extends the findings of earlier research on M&A in the gaming industry. The objective of the study is to present a full and in-depth analysis of the potential impact that the merger may have on competition and innovation in the gaming industry [3]. In order to accomplish this goal, the study will make use of a comprehensive collection of data and analytical techniques [5].

2. Theoretical Framework

2.1. Overview of the Gaming Industry

The gaming industry has seen substantial growth in recent years, and it is estimated that total revenues would reach \$159.3 billion around the world by the year 2020. This growth can be attributed to a number of factors, such as the growing popularity of mobile gaming, the expansion of the esports industry, and the growing use of gaming as a form of entertainment and a medium for social interaction. Mobile gaming is another factor that has contributed to this growth [6]. Specifically, one factor that can be credited with contributing to this expansion is the rise in popularity of playing games on mobile devices. The industry of video games can be partitioned into a few various subindustries, the most common of which are console gaming, personal computer gaming, and mobile gaming (Picard, NA). Each segment of the market has its own unique characteristics, such as diverse patterns of consumer behavior and varying degrees of the intensity of the market's overall competitiveness.

In addition, the gaming industry is notable for the tremendous amount of innovation that is present within it. Virtual reality and artificial intelligence are two examples of cutting-edge technology that are being leveraged by video game creators in their never-ending quest to provide gamers with fresh and compelling new gameplay opportunities. Other examples of cutting-edge technology include augmented reality and motion capture. This never-ending pursuit of innovation has led to the production of a vast number of video games that are both commercially successful and highly appreciated. Some examples of these games are Minecraft, Fortnite, and World of Warcraft, to name just a few.

2.2. The Concept of Mergers and Acquisitions in the Gaming Industry

Mergers and acquisitions (M&A) are a common occurrence in the gaming industry. Companies often seek to acquire other companies in order to gain a competitive advantage, through the acquisition of new technologies, intellectual property, and market share. M&A can also provide companies with economies of scale, which can result in cost savings and increased profitability [7].

One example of a significant M&A in the gaming industry is the acquisition of mobile game developer King Digital Entertainment by Activision-Blizzard in 2016. This acquisition allowed Activision-Blizzard to expand its presence in the mobile gaming market and gain access to King's successful game franchises, such as Candy Crush.

2.3. The Impact of Mergers and Acquisitions on Competition and Innovation

M&A can have a significant impact on the competitive landscape of an industry. The acquisition of a smaller company by a larger company can increase the market power of the larger company, potentially reducing competition and leading to higher prices for consumers. In the gaming industry, this can result in a reduction in the number of game developers and a decrease in the variety of games available to players.

However, M&A can also lead to increased innovation. The acquisition of a smaller company by a larger company can provide the smaller company with access to the larger company's resources and expertise, which can lead to the development of new and innovative products. In the gaming industry, this can result in the creation of more advanced and immersive gaming experiences for players.

In the case of the Microsoft-Activision-Blizzard merger, it could be argued that the merger could lead to increased market power and reduced competition in the gaming industry [8]. Microsoft, Activision-Blizzard are all large and successful companies, and their merger would create a gaming giant with a wide range of popular game franchises and a significant market share. This could lead to reduced competition and higher prices for consumers [9].

However, it could also be argued that the merger could lead to increased innovation in the gaming industry. Microsoft's expertise in technology and Activision-Blizzard's expertise in game development could lead to the creation of new and innovative gaming experiences. The merger could also lead to the creation of new business models, such as the integration of gaming and streaming services [10].

It is important to note that the impact of M&A on competition and innovation is not always clear-cut, and the actual effects of the merger will depend on a variety of factors, including the specific details of the merger and the actions of the merged company. Additionally, previous research on M&A in the gaming industry has yielded mixed results, with some studies finding that M&A leads to increased market power and reduced competition, while others have found that M&A leads to increased innovation.

3. Analysis of the Microsoft and Activision-Blizzard Merger

3.1. Overview of the Companies Involved in the Merger

Microsoft is a multinational technology company that specializes in the design and production of personal computers, consumer electronics, and software [11]. Its operations span a number of countries across the world. Microsoft was established in 1975, and its current headquarters may be found in Redmond, which is located in the state of Washington. One of the most lucrative and successful technology companies in the entire globe, its market value is greater than \$2 trillion, making it one of the most profitable corporations in the world overall. Since its launch in 2001, Microsoft's Xbox gaming system has been an unstoppable force in the market of gaming consoles [12]. As a result, the

corporation has become one of the most well-known companies in the gaming industry, thanks in large part to the success of the Xbox gaming system.

Because of the tremendous success of its several gaming titles, including World of Warcraft and Call of Duty, Activision is one of the most well-known names in the video game business. One of the most successful companies in the video gaming industry is Activision. The company has been in operation for more than three decades and is widely regarded as one of the most successful game development companies in all of the world at the present time.

Activision-Blizzard is not only a tremendously successful entertainment company, but it is also one of the most prominent names in the video gaming industry because of its immensely popular video game franchises such as World of Warcraft, Starcraft, and Diablo. Activision-Blizzard's success in the entertainment industry has helped it become one of the most prominent names in the video gaming industry [13]. More than 25 years have passed since the establishment of this business, and in the present day, it is widely considered to be among the most successful game development companies on a global scale.

The combination of Microsoft, Activision-Blizzard would result in the formation of a gaming behemoth that would produce a diverse collection of well-known game titles and a sizeable portion of the overall market share in the gaming industry. This would be accomplished by creating a gaming giant.

3.2. Analysis of the Merger's Impact on the Gaming Industry

It's likely that Microsoft, Activision-Blizzard's merger will have a substantial impact on how the video game industry's competition is organized. This outcome would be one of the effects of the merger. If the merger went through, it would create a gaming juggernaut that controls a sizable chunk of the market and a huge array of well-known game properties. The gaming business would be dominated by this titan. As a result, there's a chance that the market may have less competition, which could result in higher costs for the consumers [14]. It's possible that as a result, there will be less competition on the market.

On the other hand, one may argue that the merger will lead to more innovations occurring in the gaming industry, which would be a consequence that would be viewed as advantageous. The combination of Microsoft's technology know-how with Activision-Blizzard's skill in game development has the potential to produce whole new gaming experiences that will raise the bar for the sector. This is due to the fact that the combined knowledge of these three businesses will enable the development of games that will raise the bar for the sector. It is expected that the merger of these two businesses will lead to the development of novel business models, such as the fusion of streaming and gaming services. This would be one of the merger's possible advantages.

3.3. Discussion of the Potential Implications for Competition and Innovation

It is important to note that the actual effects of the merger will depend on a variety of factors, including the specific details of the merger and the actions of the merged company. Additionally, previous research on M&A in the gaming industry has yielded mixed results, with some studies finding that M&A leads to increased market power and reduced competition, while others have found that M&A leads to increased innovation.

The Microsoft and Activision-Blizzard merger could have a significant impact on the gaming industry. The merger would create a gaming giant with a wide range of popular game franchises and a significant market share, which could lead to reduced competition in the industry and higher prices for consumers. However, it could also lead to increased innovation in the gaming industry, through the creation of new and innovative gaming experiences and new business models.

In terms of competition, some experts suggest that the merger may lead to a reduction in the number of game developers and a decrease in the variety of games available to players, as the new company will have a significant market share and a dominant position in the industry. The merger could also lead to a decrease in the level of innovation, as smaller game developers may not be able to compete with the resources of the new company. However, it is important to note that the merger may also lead to increased innovation in the gaming industry, as the new company would have access to the resources and expertise of all three companies, which could lead to the development of new and innovative products.

4. Conclusion

This study's goal is to explore theoretically and analytically the potential implications that the merger of Microsoft and Activision-Blizzard would have on the video game market. The purpose of the research was to ascertain what impact the union of these three businesses might have on the video gaming market. The study's results indicate that the merger might have a substantial impact on the gaming sector in terms of both the amount of innovation and competition. A gaming giant with a wide variety of well-known game titles and a sizable market share would be formed as a result of this merger. A direct result of this would be reduced market competition, which would result in higher pricing for the final consumers. On the other hand, it might also result in more innovation happening within the gaming industry. This could happen as a result of the creation of novel and inventive gaming experiences as well as novel methods of doing business.

The study has also demonstrated that a number of factors, including the specifics of the merger and the activities of the organizations merging, will affect the merger's actual effects. Additionally, earlier research on the subject of mergers and acquisitions in the gaming business has produced contradictory results. According to certain studies, mergers and acquisitions boost market dominance while reducing competition. On the other hand, it was discovered in other studies that mergers and acquisitions enhanced levels of innovation within organizations.

In terms of future study, it would be advantageous to do a more thorough analysis of the unique aspects of the merger, such as the financial data and the potential impact on other sectors of the gaming industry. These elements include, for instance: Additionally, it would be beneficial to carry out longitudinal research to examine the long-term effects that the merger would have on the gaming sector. Since it would look into the effects the merger will have, this research would be useful.

The findings of this study have provided a thorough examination of the potential consequences that a merger between Microsoft and Activision-Blizzard would have on the gaming sector. The research's findings indicate that the merger might have a significant effect on the gaming industry, both in terms of the level of competition and the pace at which new ideas are adopted. Nevertheless, the study's findings indicated that a wide range of different factors and conditions would affect the merger's real effects. In order to better understand the long-term impacts of the merger on the gaming industry, the report underlines the need for greater research on the topic.

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