

# ***Microsoft's Layout in the Gaming Industry and Metaverse: Starting from Blizzard***

**Yangming Cao<sup>1,a,\*</sup>**

*<sup>1</sup>The Higher Vocational College, Dalian University of Finance and Economics, Dalian, 116622,  
China*

*a. 1458666755@stu.sqxy.edu.cn*

*\*corresponding author*

**Abstract:** Microsoft became the third-largest gaming company in the world after acquiring Activision Blizzard for \$69.7 billion in January 2022, after Sony and Tencent. This article aims to explore the strategic objectives and significance of Microsoft's acquisition of Activision Blizzard and identify its impact on the internet industry. The research finds that Microsoft's primary goal for acquiring Activision Blizzard is to lay a solid foundation for future development in the metaverse and aid in its digital transformation. This acquisition fully demonstrates that the metaverse is the main direction for the future development of the internet industry, and gaming is one of its primary gateways. The article argues that investors and companies should invest more in developing new platforms to aid in the development of the metaverse. Governments should also strengthen their regulatory and risk-prevention efforts in the gaming industry, while consumers should learn more about the protection of their privacy and security in the metaverse.

**Keywords:** Microsoft, Activision Blizzard, acquisition, metaverse, gaming industry

## **1. Introduction**

Microsoft is a multinational technology company headquartered in the United States, founded in 1975 by Bill Gates and Paul Allen. Initially focused on operating systems and software development, Microsoft quickly rose to prominence with the release of products such as the Windows operating system and the Office productivity suite, becoming one of the world's leading technology companies [1].

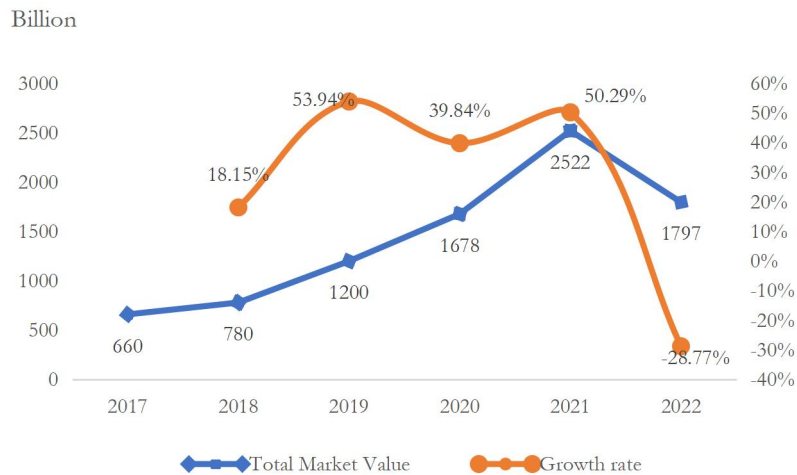


Figure 1: Total market value and growth rate of Microsoft from 2017 to 2022.

Data source: Choice [2]  
 Photo credit: Original

With operations spanning across North America, Europe, and Asia, Activision Blizzard, Inc. is the largest interactive entertainment company in the world. It boasts a portfolio of beloved entertainment franchises, such as Call of Duty, World of Warcraft, Overwatch, Diablo, Candy Crush, and Bubble Witch, and its combined entertainment network brings joy to millions of monthly active users worldwide, solidifying its position as the largest gaming network globally! The company is dedicated to providing high-quality, cutting-edge entertainment to players globally, creating an inclusive environment where employees can flourish. It is also proud to be an equal opportunity employer [3].

In January 2022, Microsoft announced its acquisition of Activision Blizzard for \$68.7 billion, and the acquisition is expected to be completed by June 30, 2023 [4]. Microsoft said the deal will accelerate its gaming business across mobile, PC, console and cloud, making it the "cornerstone" of its metaverse project [5]. Microsoft's acquisition will position it as the third-largest gaming company in the world, after Sony and Tencent. Both Microsoft and Activision Blizzard are two of the most talked-about companies in the internet industry. Microsoft's acquisition of Activision Blizzard has significant implications for the gaming and even the entire internet industry. Why Microsoft acquired Activision Blizzard, what actions Microsoft will take after the acquisition, and how Microsoft's acquisition of Activision Blizzard will impact the public's lives are topics that society needs to pay attention to.

The following sections of this paper are organized as follows: Section 2 analyzes this acquisition's strategic purpose and significance; Section 3 introduces what benefits Microsoft can get from this acquisition

## 2. Purpose and Significance

### 2.1. Strategic Purpose

The concept of the metaverse originated from the science fiction novel "Snow Crash" in 1992, which introduced the terms "metaverse" and "avatar". In the metaverse, people can have their own virtual avatars, and this virtual world is called the "metaverse". It represents a virtual space that operates in parallel to the real world. The metaverse is a digitally constructed artificial space that

runs parallel to the real world. Its emergence is an inevitable result of the development of information technology and digitalization to a certain extent, and it is also a new tool for humans to deconstruct, describe, and understand the physical world. In general, the term “metaverse” refers to a visually immersive virtual environment that closely resembles reality, where individuals can engage in various activities such as work, play, shopping, and socializing - essentially, all the things that people enjoy doing together in the physical world [6].

All in all, it is difficult to define what the metaverse really is, and this very ambiguity highlights the vagueness of this concept. From Microsoft's perspective, the fact that they are willing to spend a fortune to acquire a company shows that they believe it is worth it. Gaming is considered one of the gateways to enter the metaverse, and the acquisition of Activision Blizzard reveals Microsoft's ambition to build and construct the metaverse of the future, as well as to make a strategic move in the metaverse game. In fact, many of the IPs owned by Activision Blizzard have already been linked to the metaverse. Several gaming characters from Activision Blizzard have made appearances in the movie "Ready Player One," which is hailed as a prophecy of the future metaverse world. The ability to create content will be the core of the competition in the metaverse, and by acquiring Activision Blizzard, Microsoft will gain strong content support for its gaming dreams. With Activision Blizzard, Microsoft is one step closer to creating a metaverse gaming carrier and becoming a pioneer in bringing the metaverse to reality.

## 2.2. Strategic Significance

As a field that requires precise computing applications, gaming can promote innovation and development in this regard for technology companies. The gaming industry is constantly innovating in areas such as digitization, cloud computing, and the Internet of Things to improve the gaming experience and service quality. The application of these technologies can also be transformed into applications in other industries, thereby driving the digital transformation of technology giants. Because Activision Blizzard already has a huge player community and a large number of game IPs, according to Activision Blizzard's financial report released in May 2021, the monthly active users of their best-selling game "Call of Duty" series have exceeded 100 million. At the same time, the number of subscribers for another popular game, "World of Warcraft," reached 2.9 million in the first quarter of this fiscal year [7]. At the same time, Activision Blizzard has a solid foundation in cloud gaming, esports, and other areas, which will help Microsoft in its digital transformation and provide tremendous support for Microsoft's entry into the Metaverse.

By enhancing game development capabilities, Microsoft can return to its original business area of creating software tools for developers. In the gaming industry, game engines and development tools are very important as they have a direct impact on the quality of games and development cycle. Microsoft's core business is developing and selling software and services, so it has very strong technical capabilities and R&D strength that can provide game developers with high-quality game engines and development tools. By enhancing game development capabilities, Microsoft can work more closely with game developers to jointly promote the development of the gaming industry, thereby realizing its computing transformation strategy. Enhancing game development capabilities is closely related to Microsoft's original business of creating software tools for developers.

In fact, Microsoft has had a long-standing interest in the gaming industry. Even before acquiring Activision Blizzard, Microsoft had acquired several game companies, such as Mojang Studios and ZeniMax Media. By acquiring these companies, Microsoft enriched its own IPs, increased its user base, and learned from their development experience in the gaming industry. The purpose of Microsoft's acquisition of these companies is to lay a foundation in the gaming industry, and Activision Blizzard is the last cornerstone for Microsoft to establish a foothold in the gaming industry. Microsoft's goal in entering the gaming industry is also very clear, which is to move

towards the metaverse, because gaming is considered one of the closest fields to the metaverse. A good user experience will pay the bill to recharge, forming a virtuous circle. This gives Microsoft the best frontier technology testing ground [8]. This allows Microsoft to obtain significant human and financial support, further expanding the progress of its development in the metaverse field. Therefore, the significance of acquiring Activision Blizzard is an important step for Microsoft to move towards the metaverse, which is the next generation of the internet.

### **3. Building a Game IP Ecosystem**

#### **3.1. Accelerating the Implementation of the Metaverse Strategy**

After acquiring Activision Blizzard for \$68.7 billion, Microsoft will become the third-highest-grossing gaming company in the world, following Tencent and Sony, once the transaction is completed. In its initial announcement, Microsoft stated that its acquisition “will provide building blocks for the metaverse [9]. The acquisition of Activision Blizzard may be a significant breakthrough for Microsoft in implementing its metaverse strategy, indicating that Microsoft is completing its metaverse strategy and betting heavily on it. This is a new proof of Microsoft's entry into the metaverse. The “Hypothetical Monopolist Test” is a method used to assess substitutability, which involves determining whether a hypothetical monopolist of the defined market could potentially raise prices by a “small but significant and non-transitory amount” (SSNIP) without experiencing significant loss of sales [10]. In the long term, Microsoft's acquisition of Activision Blizzard is primarily aimed at seizing the metaverse trend. The combination of Microsoft and Activision Blizzard can accelerate the development of a closed-loop ecosystem for the metaverse, with the goal of creating the "best" and most immersive entertainment system. Activision Blizzard can leverage Microsoft's scale and strength to enter the metaverse gaming market, while Microsoft can break through the metaverse gaming market with the help of Activision Blizzard's market share. The metaverse is the next generation of the internet, and Microsoft is making continuous efforts in this area. Gaming is considered the most "immersive" form of entertainment and shares many of the characteristics of the metaverse in terms of product form, to some extent, it can be seen as a prototype of the metaverse.

#### **3.2. Strengthening Core Competitiveness in the Gaming Industry**

Building a "carrier" in the gaming industry, the competition for gaming resources will be a long-term trend in the future. In recent years, the number of users in the online gaming industry has increased, and with the continuous update of technology, whether a gaming company has rich gaming resources or development capabilities has become a decisive factor in competition in the gaming industry. Compared to other game companies, Microsoft's game development capabilities are relatively lacking, and they have had to rely on acquisitions and investments to bolster their game library. However, the quantity and quality of their exclusive AAA games cannot be guaranteed. After the acquisition of Activision Blizzard, Xbox's exclusive content is expected to increase significantly. On the other hand, Microsoft and Activision Blizzard will exchange and integrate their game development and technology capabilities, thus strengthening their core competitiveness in the gaming industry.

#### **3.3. The Importance of IP to Microsoft**

Intellectual Property (IP) is one of the most important assets of a company, and the management and creation of value from IP is also a key factor in the success of a business. In the gaming industry, IP is also one of the key factors in a company's competition [11]. IP not only means a

large number of loyal fans, but also means that more costs can be reduced in the future development process. An excellent IP will help Microsoft provide significant assistance in the development of the metaverse, such as innovative and attractive content. If the acquisition is completed, Microsoft will have access to multiple well-known IPs under Activision Blizzard, such as "Warcraft". IP content is not limited by technology or presentation format and represents the company's resource strength in the era of metaverse innovation.

#### 4. Conclusion

In January 2022, Microsoft acquired Activision Blizzard for \$68.7 billion, making it the world's third-largest gaming company. This article explores Microsoft's strategic objectives and the significance of acquiring Activision Blizzard, as well as the IP and computing technologies that Activision Blizzard brings to Microsoft and how the acquisition supports Microsoft's entry into the metaverse field. The article argues that Microsoft's acquisition of Activision Blizzard aims to increase its competitiveness in the metaverse development because Activision Blizzard provides Microsoft with a large number of valuable IPs and talent resources, as well as a huge user base that provides a foundation for Microsoft in building the metaverse. Moreover, this also indicates that the metaverse is an important direction for the future development of internet companies.

In the future, governments should monitor the consolidation of the gaming industry and its potential impact on competition. Meanwhile, companies should invest in developing new technologies and platforms to support the development of the metaverse. Consumers should also be aware of the impact and potential risks of the metaverse, such as privacy and security issues. In addition, consumers should also be aware of the addictive nature of the metaverse. Due to its virtual nature and infinite possibilities, people may become addicted to it, which can affect their daily lives and work. Therefore, consumers should use it moderately and pay attention to balancing virtual and real life.

#### References

- [1] Microsoft. (n.d.). About Microsoft. <https://www.microsoft.com/en-us/about>
- [2] Choice data. <https://choice.eastmoney.com>
- [3] Activision Blizzard. (2023). About Activision Blizzard. Retrieved from <https://www.activisionblizzard.com/about-us>
- [4] Microsoft. Facts About Microsoft. <https://news.microsoft.com/facts-about-microsoft/>
- [5] Microsoft. <https://news.microsoft.com/2022/01/18/microsoft-to-acquire-activision-blizzard-to-bring-the-joy-and-community-of-gaming-to-everyone-across-every-device/>
- [6] Isaac, M. (2021). What Is the Metaverse, and Are We Ready for It? *The New York Times*. <https://www.nytimes.com/2021/04/28/technology/what-is-the-metaverse.html>
- [7] Activision Blizzard. (2021). Activision Blizzard Announces First-Quarter 2021 Financial Results. <https://investor.activision.com/news-releases/news-release-details/activision-blizzard-announces-first-quarter-2021-financial-0>
- [8] Liu, Y. (2021). Game Industry Trends: The Metaverse and the Future of Gaming. In *Proceedings of the 2021 3rd International Conference on Management Engineering, Software Engineering and Service Sciences* (pp. 315-318).
- [9] Microsoft. (2021). Microsoft to acquire Activision Blizzard, empowering gaming experiences everywhere. *Microsoft News*. <https://news.microsoft.com/2022/01/18/microsoft-to-acquire-activision-blizzard-empowering-gaming-experiences-everywhere/>
- [10] U.S. Department of Justice and Fed. Trade Comm'n, *Horizontal Merger Guidelines 9* (2010), <http://www.justice.gov/atr/public/guidelines/hmg-2010.html>.
- [11] Tardif, L. (2005). Intellectual Property Management and Value Creation. *Intellectual Property and Open Source*, 163-185.