

Analysing the anticipate of Microsoft's acquisition on Activision Blizzard

Xingyu Mi

Art and humanity, Kings College London, London, WC2R ZLS, United Kingdom

Abstract. This research applies the marketing mix theory to analyses the topic of Microsoft's acquisition of Activision Blizzard in a rapidly evolving technological society. The focus of this analysis is on the game industry, which is closely intertwined with technological advancements. Combining the SWOT analysis method and qualitative research, this essay explores the relationships between the different elements of the marketing mix theory and their impact on the phenomenon. The research findings indicate that each element of the marketing mix theory, particularly promotion and product, has a positive correlation with customers' purchase intentions in the context of Microsoft's acquisition of Activision Blizzard. Overall, this paper contributes to a better understanding of the impact of Microsoft's acquisition of Activision Blizzard by leveraging marketing mix theory and its implications for the game industry. The findings highlight the importance of strategic management and decision-making in technology companies and provide valuable insights for the industry's future growth and development.

1 Introduction

1.1 Research background

The 21st century has witnessed technological advancements on a scale never before seen. This advancement, particularly in artificial intelligence, internet connectivity, the metaverse, virtual reality, and augmented reality, has transformed the way people live and interact with the world. In addition, these developments have a direct impact on the gaming industry and create new opportunities, such as cloud gaming, virtual reality, the metaverse, etc. In addition, the gaming industry has become a dominant force on the global market, surpassing the combined annual revenue of the book, film, and music industries, which totals a staggering \$180 billion [1].

Moreover, the scope of the game industry is not only limited to games themselves but encompasses peripheral products, competitive gaming events, etc. [1]. Thus, with its substantial market value and its close connection to technological advancements, the gaming industry has become one of the most important battlegrounds for technology companies worldwide, vying to secure their market share in this thriving and rapidly progressing domain. Recognizing its potential, renowned global corporations such as Facebook, Sony, Apple, and others are vigorously pursuing the development of hardware and software and actively venturing into this nascent industry. For instance, cloud gaming is an important concept that has been developed by a lot of large technology companies.

As a crucial component of the gaming market, major technology companies are intensely competing for a stake in this industry. Sony introduced the "PS NOW" service, Microsoft released the "XGP" service on its Xbox platform, and game companies such as Tencent and Miha have hosted their game catalogues in the cloud. Microsoft, a prominent global technology corporation, is actively involved in the development of the gaming industry, as previously stated. In a highly competitive environment characterized by the rapid development of cloud gaming across multiple companies, the gaming industry places significant demands on game companies to adopt emerging technologies. Given the gaming industry's reliance on technology, conducting research in this area is extremely valuable for major technology companies such as Microsoft.

1.2 Research gap

Microsoft's acquisition of Activision Blizzard holds significant importance in a technology-driven society at present. Therefore, numerous scholars have conducted analyses of this phenomenon, shedding light on various aspects. Pales, for instance, examined Microsoft's subscription service called 'XGP' on the Xbox platform, which resembles Netflix [2]. Lenarduzzi emphasized the transaction cost economics theory proposed by Oliver Williamson and the internalization theory developed by Alan Rugman [3]. These theories delve into the rationale behind Microsoft's decision to integrate critical links of the supply chain within the company through the acquisition [4]. Lastly, He and Liu explored the

Corresponding author: K22049781@kcl.ac.uk

motivation and background of Microsoft's acquisition of Activision Blizzard [5].

1.3 Fill the gap

This paper will employ the marketing mix theory's 4Ps (product, price, place, and promotion) and conduct a SWOT analysis to assess the influence of Microsoft's acquisition of Activision Blizzard on the future of the gaming industry. By examining these factors, we can gain insights into how Microsoft's strategic decisions will shape the landscape of the game industry moving forward.

2 Literature review

2.1 Definition

Similar to the dynamic nature of the marketing field itself, the marketing mix theory is an evolving theory that continuously adapts to shifting consumer demands. This article intends to provide an overview of the marketing mix theory's definition and evolution. First, as Goldsmith emphasizes, marketing theories must continuously change in response to particular market dynamics and consumer requirements [6]. As a result, the marketing mix theory has witnessed a substantial evolution. As a highly practical framework, it has been extensively applied in various case studies throughout its developmental stages.

Initially, the marketing mix theory emerged as a conceptual framework that allowed product managers to configure their offerings and make crucial decisions to meet customer needs [6]. Eventually, McCarthy restructured the 12 elements and introduced the concept of the four Ps in 1964: promotion, product, price, and place [7]. This classification system provides marketers with a more concise and manageable framework for developing marketing strategies. Booms and Bitner augmented the traditional "4Ps" framework by incorporating three additional elements: "Price," "Physical evidence," and "Process [8]."

2.2 Important results

Beginning with Promotion, the majority of researchers conclude that promotion has a positive correlation with consumption intent. Customers' intentions to purchase a product can be increased so long as the product's promotion and promotion activities within the target market are strengthened. Thabit and Raewf once demonstrated this point when they used marketing mix theory to examine the influence of promotion on product sales [9]. They utilized AI-Saaeda, a medical equipment technology company, as a case study and employed random sampling of customers and employees to gather data through questionnaires [9]. The research concluded that the intensity of promotion directly determines product sales [9]. Additionally, Pour et al. conducted a study discussing the marketing mix theory, specifically

emphasizing the positive impact of promotion on brand loyalty and user satisfaction [10].

In market mix theory, price is also considered to have a positive correlation with consumers' purchase intentions. Price is the monetary value that a consumer is willing to pay for a product or service. Production costs, market demand, perceived value, and competitors are just a few of the factors that affect price. Ndofirepi and others explored the heterogeneous higher education market in Africa using the marketing mix theory [11]. Their findings revealed the significant impact of price on African higher education, with only a limited number of students being able to afford a college education [11]. In addition, Oflac and Dobrucali analysed the pricing strategy of multinational logistics company DHL [12]. Thus, these two studies from various fields and regions have reached the same conclusion: a strong positive correlation exists between price and consumers' intent to purchase.

In addition, the place involves determining how, where, and where not to sell products. According to the majority of academics, the more appropriate a company's sales channels are, the simpler it is for its products to reach the target market and the more willing consumers are to purchase them. A case study focusing on the International Kurdistan Bank in Erbil City, Iraq, investigated the correlation between Place and customer satisfaction [13]. The study concluded that there is a positive relationship between Place and customer loyalty within the marketing mix theory [13]. Similarly, Pour et al. discussed the impact of Place and found that it has a positive influence on user loyalty and satisfaction but a negative impact on user trust [10]. The results show that there is a positive correlation between place and consumers' purchase intentions [10].

The final criterion is product, which encompasses both tangible and intangible goods. Regarding this term, which encompasses complex concepts such as product features, design, packaging, and brand, the majority of academics agree that the greater the product's ability to satisfy customer needs, the more it can increase customers' purchase intent. The analysis conducted by Thabit and Raewf on AI-Saaeda also encompasses product-related content. They established that the quality of the product itself significantly affects the sales of product instruments [9].

2.3 Summary

In the context of the phenomenon examined in this paper, it is asserted that the four elements of the marketing mix theory have a positive correlation with consumers' purchase intentions. However, considering Microsoft's position as a technology company and its involvement in the game industry, the factors of promotion, price, and product may hold greater significance in influencing consumers' purchase willingness. This is because the gaming industry encompasses both offline and online aspects, and effective promotional strategies, competitive pricing, and appealing product offerings are key drivers in shaping consumers' purchasing decisions.

3 Method

3.1 Research design

To analyses how Microsoft will solidify its position in the future game market following the acquisition of Activision Blizzard, this paper employs SWOT analysis and qualitative analysis as its primary analytical methods. In terms of SWOT analysis, it is utilized to examine specific business cases, allowing for a comprehensive evaluation of both the internal and external environments of the subject under study [14]. In the case of Microsoft's acquisition of Activision Blizzard, the analysis takes place within the highly competitive game market, necessitating consideration of the external environment. Therefore, SWOT analysis is selected as the appropriate approach to analyses this particular business case. Qualitative analysis, as a broad term, encompasses various theoretical foundations such as anthropology, sociology, and linguistics [15]. This approach is particularly suitable for analysing small-scale subjects that can be effectively identified based on significant criteria. It involves collecting detailed data and employing open-analysis methods that allow for the emergence of new concepts and approaches [15].

Due to the availability of information regarding Microsoft's acquisition of Activision Blizzard, the qualitative analysis method is utilized in this paper. Microsoft's acquisition is intended to establish a new paradigm in the gaming industry, making it an appropriate topic for qualitative analysis. In addition, the focus on Microsoft as the object of analysis enables a more manageable and comprehensive examination of the specific case.

3.2 Microsoft

Microsoft, founded in 1975 and headquartered in Washington, DC, is a global technology giant known for its extensive range of products and services. With a strong presence in the computer and electronics industries, Microsoft has established itself as one of the largest software companies worldwide. Microsoft's flagship products include the widely used Windows operating system, which dominates the personal computer market, and the Office suite, which offers a comprehensive set of productivity software for businesses and individuals. These products have played a significant role in shaping the modern computing landscape. In addition to its software offerings, Microsoft has a strong foothold in the cloud computing industry. Its cloud platform, Azure, provides a wide range of services, including infrastructure, platform, and software solutions, enabling businesses to leverage the power of cloud technology for their operations. Microsoft's cloud services have gained significant traction and are highly regarded for their scalability, reliability, and security. The company's involvement in the gaming industry is also notable. Microsoft developed the popular Xbox game console, which has gained a significant market share in the gaming and entertainment

sectors. Leveraging its console platform and cloud computing capabilities, Microsoft has introduced innovative gaming services such as Xbox Game Pass (XGP), a subscription-based gaming service, and XGP cloud gaming, which allows players to stream games directly to their devices. Furthermore, Microsoft is at the forefront of artificial intelligence (AI) technology. Its Azure AI platform offers a robust suite of AI tools and services, empowering businesses to leverage AI capabilities for various applications. Microsoft's AI initiatives span across areas such as machine learning, natural language processing, computer vision, and more. In conclusion, Microsoft's extensive range of products, including software, cloud services, gaming consoles, and AI solutions, has solidified its position as one of the world's largest and most influential technology companies. With a focus on innovation and a commitment to delivering high-quality products and services, Microsoft continues to shape and lead the technology industry.

Microsoft's acquisition of Activision Blizzard is a significant move that was announced in 2022. The deal involves Microsoft acquiring the renowned game development and publishing company, Activision Blizzard, for a staggering \$68.5 billion. Activision Blizzard is widely recognized for its popular game franchises, including World of Warcraft, Call of Duty, Hearthstone, and many others. With this acquisition, Microsoft gains ownership of these iconic game brands, which further strengthens its position in the competitive gaming market. The move is expected to enhance Microsoft's gaming portfolio and expand its reach within the industry. Microsoft has expressed its intention to leverage its technical expertise and vast resources to support Activision Blizzard in developing new game content and seamlessly integrating it into the Microsoft game ecosystem. The acquisition process is currently in its final stages, with approval obtained from most countries except the United Kingdom, where it faces potential obstacles due to antitrust regulations. Despite this hurdle, Microsoft remains optimistic about the successful completion of the acquisition. Overall, Microsoft's acquisition of Activision Blizzard demonstrates its commitment to solidifying its presence in the gaming industry and leveraging its strengths to drive innovation and growth. By combining the established game brands of Activision Blizzard with Microsoft's technical capabilities and resources, the acquisition has the potential to shape the future of gaming and offer exciting new experiences to gamers worldwide.

3.3 SWOT analysis

3.3.1 Strength

Based on the theory and analysis of this phenomenon, this paper finds that after the completion of the acquisition of Activision Blizzard, it will have a dire impact on the product, place, and promotion. The addition of popular games such as Call of Duty and

World of Warcraft, which used to belong to Blizzard, has enhanced Microsoft's products. Based on this, the higher quality of Microsoft products will increase consumers' desire to buy them.

In addition, Activision Blizzard's game studios have the potential to create high-quality games, whereas Microsoft has a significant product advantage. Microsoft's distribution channels, combined with Activision Blizzard's own large user base, completed the integration of Microsoft's online store and Xbox platform, increasing the coverage and accessibility of Microsoft games, market penetration, and user purchase intent.

Finally, in terms of promotion, Blizzard has a huge user base. After the acquisition of Activision Blizzard, it can further enhance Microsoft's publicity ability and increase users' purchase desire.

3.3.2 Weakness

There is some evidence from the relevant theory and analysis that shows there are also weaknesses that mainly reflect on promotion and product. First of all, Microsoft and Blizzard have their own different user groups. Because of the differences between the two firms, individualized promotion and service may have an impact after the merger is completed. At this time, it is not good for Microsoft, and it will result in a decrease in consumer purchasing willingness. Furthermore, following the acquisition, Microsoft may be unable to fully integrate Activision Blizzard's products into its own game platform and system, resulting in a drop in consumer demand at the product level.

3.3.3 Opportunity

Additionally, the acquisition indicates some opportunities. Product and price are two concepts that, according to theories and current conditions, create opportunities. Microsoft and Activision Blizzard can collaborate on product innovation by leveraging Microsoft's technical expertise in cloud gaming and artificial intelligence to create new and innovative gaming experiences. Combining Activision Blizzard's outstanding gaming IP with Microsoft's market-leading cloud gaming technology can expand Microsoft's market share and increase users' desire to spend. For the price part, Microsoft can implement a pricing optimization strategy to encourage customers to adopt and gain market share so as to compete with big game companies such as Sony and Tencent, expand its market share, and enhance users' consumption desires.

3.3.4 Threaten

Lastly, the acquisition itself also brings threats, and after analyzing this phenomenon and combining the relevant theories, This essay finds that product, price, and promotion are the threats in this case.

Microsoft's market share is threatened by companies such as Sony and Nintendo, as well as emergent cloud

gaming platforms, which reduces the desire of users to purchase. Innovation, product differentiation, and competitive pricing will continue to exert pressure on Microsoft. A technological disruption, such as the emergence of virtual reality or augmented reality games, could have an impact on the relevance and competitiveness of Microsoft products, resulting in a decrease in Microsoft users' desire to purchase.

In addition, changing consumer preferences, including the growing popularity of mobile games and the rise of esports, require Microsoft to adapt its strategy and products to meet changing needs, and if Microsoft cannot respond to technological changes in the gaming market in a timely manner, its user desire to buy will largely decline.

4 Results & discussion

Microsoft's acquisition of Activision Blizzard provides several advantages, including an expanded product portfolio, pricing authority, integrated distribution channels, and improved marketing capabilities. Integration, pricing pressure, distribution balancing, and promotional alignment present obstacles. Opportunities include product innovation, pricing optimization, network expansion, and promotion integration. Intense competition, regulatory obstacles, technological disruptions, and shifting consumer preferences are all threats.

The acquisition of Activision Blizzard by Microsoft presents a strategic move to strengthen its position in the gaming industry. The strengths derived from the acquisition, such as an expanded product portfolio, pricing power, distribution channel integration, and promotional opportunities, provide Microsoft with a competitive advantage. By leveraging its financial resources and market influence, Microsoft can optimize pricing strategies and enhance brand recognition. However, the integration of two large organizations with different cultures and processes poses challenges.

Microsoft must carefully manage the integration process to ensure seamless coordination and alignment of strategic objectives. Additionally, pricing pressure and the need to balance distribution channels may require strategic decision-making to maximize profitability and minimize channel conflicts. The acquisition also offers opportunities for Microsoft to innovate and leverage its technological capabilities in cloud gaming and artificial intelligence. By partnering with Activision Blizzard, Microsoft can create innovative gaming experiences and differentiate its products in the market. Moreover, the expansion of distribution networks and partnerships can facilitate market penetration and the global acquisition of new customers. Microsoft can increase brand awareness and engage a larger consumer base by incorporating Activision Blizzard's games into its existing promotional initiatives. However, the gaming industry is highly competitive, and Microsoft must continuously innovate to stay ahead. Rival companies and emerging cloud gaming platforms pose threats to market share,

necessitating ongoing differentiation and competitive pricing strategies.

Furthermore, regulatory hurdles and antitrust regulations require careful navigation to ensure a successful acquisition and integration process. Technological disruptions, such as the emergence of virtual reality or augmented reality gaming, may impact the industry landscape and require Microsoft to adapt its strategies accordingly.

Lastly, changing consumer preferences demand flexibility and the ability to meet evolving demands, particularly in the growing areas of mobile gaming and eSports. In conclusion, Microsoft's acquisition of Activision Blizzard reveals significant opportunities to enhance its position in the gaming industry. Microsoft can navigate the competitive landscape, surmount regulatory challenges, and adapt to changing consumer preferences by capitalizing on its strengths, addressing its weaknesses, and maximizing its opportunities. To maximize the acquisition's potential and solidify Microsoft's position as a market leader in the gaming industry, strategic decision-making and effective integration will be essential.

In this case study, the 4Ps are in fact positively correlated with users' purchase desire, among which promotion and product have the greatest impact on users' purchase desire. In addition, compared with previous studies, most of the conclusions are the same, but due to the particularity of individual cases, the degree of influence of the four Ps may be different.

5 Conclusion

This essay provides an analysis of Microsoft's acquisition of Activision Blizzard, taking into account fast-paced technological advancements and the ever-evolving game industry. As one of the largest technology corporations in the world, Microsoft's move is analysed from marketing and game industry perspectives. The research investigates the merger's effect on the video game industry and its potential benefits for Microsoft. The analysis begins with an overview of the Marketing Mix theory, with a specific focus on the 4Ps (promotion, price, product, and place). The 4Ps are then combined with a SWOT analysis (strengths, weaknesses, opportunities, and threats) to assess the phenomenon. This acquisition may have a positive effect on Microsoft's presence in the gaming industry, according to the conclusion.

However, this essay has some limitations to consider. Firstly, the qualitative method employed in the analysis may introduce some subjectivity. The reliance on limited data may weaken the persuasiveness of the arguments presented. Additionally, the analysis predominantly focuses on the early stages of the Marketing Mix theory, which might limit its accuracy. Lastly, the analysis primarily adopts a microscopic perspective, neglecting the macroscopic view of the game industry and technological developments.

To enhance future studies on this topic, it is recommended to employ both qualitative and

quantitative methods. Utilizing relevant tools and calculations can provide numerical evidence for each of the 4Ps. Additionally, incorporating more recent theories and their connections to technological advancements would enrich the analysis. Furthermore, it is crucial to gather and include a broader range of data to support the study's findings.

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