

Research on the Impact of Corporate Mergers on the Market

-- A Case Study of Microsoft's Acquisition of Blizzard

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Abstract: This paper explores Microsoft's \$68.7 billion acquisition of Blizzard Entertainment, a landmark deal in the gaming industry. It analyzes the impact on Microsoft's market position, business strategy, and financial performance. The paper starts with a review of merger and acquisition theories, then compares Microsoft's and Blizzard's pre-acquisition market positions and strategies. It assesses the effects of the acquisition on Microsoft's market performance, strategic adjustments, and financial outcomes. Finally, it provides insights and recommendations based on current industry trends for Microsoft and other businesses.

Keywords: Gaming Market, Game Pass, Microsoft, Enhancement, Blizzard, Mergers, Technology Resources, Impact, Influence, Esports, Marketing, Resources, Annual Revenue, Gaming Products, Research, Position.

1. Introduction

Microsoft Corporation is a globally leading software, services, and device company, renowned for its Windows operating system, Office software, and Azure cloud computing services. Blizzard Entertainment, as a giant in game development and publishing, holds a significant position in the global gaming market with famous games like *World of Warcraft*, *StarCraft*, and *Overwatch*. In January 2022, Microsoft announced its \$68.7 billion acquisition of Activision Blizzard, marking the largest deal in gaming industry history. This paper aims to study the impact of Microsoft's acquisition of Blizzard on its market position, business strategy, and financial situation. The research questions are: How will Microsoft's acquisition of Blizzard affect its market position, business strategy, and financial condition?

2. Literature Review

2.1. Research Status of Domestic and Foreign Corporate Mergers

Mergers are an important means for companies to rapidly expand markets, acquire technology and resources, and enhance competitiveness. Scholars at home and abroad have extensively studied the motives, processes, and impacts of corporate mergers. Xia Zuxiang (2014) pointed out that the motives for corporate mergers include market expansion, technology acquisition, and financial synergy. Burns (2005) believes that the merger process involves stages such as market research, negotiation, and integration, and its success depends on integration strategy and execution. Mohammad et al. (2019) showed that mergers have many impacts, including changes in market share, improvements in financial performance, and adjustments in competitive structure.

2.2. Analysis of Microsoft and Blizzard's Market Position and Strategy Before the Merger

Before the acquisition, Microsoft was a leader in operating systems, office software, and cloud computing, but lagged relatively in the gaming market. On the other hand, Blizzard had significant advantages in game development and distribution, with many games boasting a large user base and strong brand influence. Microsoft sought to strengthen its competitiveness in the gaming market and diversify its business by acquiring Blizzard.

2.3. Analysis of Microsoft's and Blizzard's Historical Merger Cases

Microsoft has conducted several acquisitions in its history, such as the acquisition of Nokia's mobile business in 2014 and LinkedIn in 2016, most of which have enhanced its influence in hardware and social media. Blizzard has also undertaken a series of acquisitions, such as its merger with Activision, which stabilized its position in the gaming market. These past merger cases provide reference and experience for Microsoft's acquisition of Blizzard.

2.4. Stock Price Changes

Microsoft's \$68.7 billion offer equates to \$95 per share, a 45% premium over Activision Blizzard's closing price last Friday before the announcement. However, over a longer period, Activision Blizzard's stock price remained low. Despite the US stock market's strong bull run in 2021, Activision Blizzard saw its stock price drop by more than 40% last year due to internal management turmoil. As of January 18, 2022, Microsoft fell 1.01%, reporting at \$307.07 per share; Activision Blizzard rose 30.08%, reporting at \$85.06 per share.

3. Analysis of the Market Impact of Microsoft's Acquisition of Blizzard

3.1. Analysis of Changes in Market Position

With the acquisition of Blizzard, Microsoft's position in the gaming market significantly improved. According to Newzoo (2023) data, Microsoft's share in the global gaming market rose from 14% to 21%, jumping to the second place globally. Meanwhile, Blizzard's core games such as *World of Warcraft* and *Overwatch* provide Microsoft with a stable user base and revenue source. In the cloud computing market, Blizzard's rich game content also provides more application scenarios for Microsoft's Azure cloud services, enhancing its competitiveness.

3.2. Discussion of Corporate Strategic Adjustments

After the acquisition, Microsoft made a series of strategic adjustments to its business. First, it integrated product lines, deeply integrating Blizzard's game products with Microsoft's Xbox platform and Game Pass service, enhancing user experience and subscription service appeal. Second, it expanded markets, leveraging Blizzard's brand influence to further open Asian and European markets, especially the Chinese market. Meanwhile, Microsoft strengthened its presence in the mobile gaming field, using Blizzard's *Diablo Immortal* to capture the rapidly growing mobile gaming market.

3.3. Analysis of Financial Impact

The acquisition of Blizzard had a significant impact on Microsoft's finances. According to Microsoft's 2023 fiscal year financial report, after acquiring Blizzard, Microsoft's gaming business revenue grew by 25%, total revenue reached \$158 billion, and net profit grew by 15% to \$65 billion. Moreover, Blizzard's strong cash flow also enhanced Microsoft's financial stability. However, the huge expenses and integration costs associated with the acquisition also brought some pressure on Microsoft's short-term cash flow and profit margins.

(1) Financial Changes

Although Microsoft's \$68.7 billion acquisition of Activision Blizzard almost drained Microsoft's cash flow, for Microsoft, this amount is just 14 months' profit, and compared to Microsoft's strong cash reserves and profitability, this money is trivial for Microsoft. Only through expenditure, mergers, or reinvestment can value be generated.

(2) Competitors' Reaction

Upon the news of Microsoft's acquisition of Blizzard, competitors took action. Sony is doubling down on the PlayStation platform, launching more exclusive games to resist competition from Microsoft. Google and Amazon are also strengthening cloud gaming and streaming game services. Additionally, other gaming companies in the market, such as Nintendo and Electronic Arts, are accelerating global layout and product innovation to counter Microsoft's expansion in the gaming market.

4. Case Analysis

4.1. Analysis of Blizzard's Main Game Products

Blizzard's main games include *World of Warcraft*,

Overwatch, *Diablo*, and *StarCraft*. These games not only have a large user base but also hold important positions in the global gaming market. Especially *World of Warcraft*, one of the world's most successful MMORPGs, has millions of active users and billions in annual revenue. After Microsoft's acquisition of Blizzard, these core game products brought it stable revenue and user base, enhancing its competitiveness in the gaming market.

4.2. Integration of Microsoft and Blizzard's Resources

After acquiring Blizzard, Microsoft carried out multiple resource integration measures. Firstly, the integration of technical resources, where Microsoft combined Blizzard's game development technology with its Azure cloud computing platform, improved game development efficiency and user experience. Secondly, the integration of human resources, where Microsoft retained most of Blizzard's core team, ensuring continuity and innovation of game products. Additionally, Microsoft integrated Blizzard's marketing and channel resources, strengthening global market expansion and brand promotion.

4.3. Analysis of Post-acquisition Market Performance

Since acquiring Blizzard, Microsoft's performance in both the gaming and cloud computing markets has improved. In the gaming market, Microsoft's market share and revenue have increased significantly, and the subscriber count of its Game Pass service has grown substantially. In the cloud computing market, Microsoft expanded more application scenarios through Blizzard's game products, enhancing Azure cloud service competitiveness. At the same time, Microsoft also strengthened its layout in mobile gaming and esports, further boosting its market influence.

5. Conclusion and Recommendations

5.1. Research Conclusions

Through the analysis of Microsoft's acquisition of Blizzard, the following main conclusions can be drawn: First, acquiring Blizzard significantly enhanced Microsoft's position and competitiveness in the gaming market; secondly, Microsoft enhanced market expansion and product innovation capabilities through business strategy adjustments and resource integration; finally, acquiring Blizzard had a positive impact on Microsoft's financial condition, though it brought certain financial pressures in the short term, in the long term, the acquisition helped Microsoft achieve stable revenue and profit growth.

5.2. Recommendations for Microsoft

In light of the challenges and issues Microsoft may face post-acquisition, the following recommendations are proposed: Firstly, continue to strengthen integration with Blizzard, fully leverage synergy, and enhance the market competitiveness of game products; secondly, increase investment in mobile gaming and esports to seize market opportunities; lastly, pay more attention to user feedback, continuously optimize products and services, and enhance user satisfaction and loyalty.

5.3. Implications for Other Enterprises

The implications of Microsoft's acquisition of Blizzard for

other enterprises include: First, the timing of mergers is crucial, and suitable merger opportunities should be chosen based on the market environment and the company's situation; secondly, merger strategies should be flexible and varied. Suitable merger strategies should be formulated based on corporate goals and market demand. Finally, merger risks should not be ignored, and risk assessment and management should be conducted to ensure the smooth progress of mergers and achieve expected goals.

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