

Analysis of the Acquisition of Blizzard by Microsoft

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Abstract. As matter of fact, Microsoft, the world's leading technology company, has been looking for opportunities to expand its business in various fields in order to enhance the overall performances and build the ecology. In recent years, Microsoft has always been one of the major players in the gaming industry. With this in mind, it has begun the steps for acquisition of Blizzard. On this basis, this study will analyze the cases of the acquisition. To be specific, the balance sheets and financial statements variation during the processes will be analytically evaluated. In addition, the market proportion change of the company will also be analyzed. Based on the estimations, the impacts as well as overall evaluation for the M&A will be discussed. According to the analysis, the suggestions of the industry will be proposed at the same time. Overall, these results shed light on guiding further exploration of M&A expanding strategy.

Keywords: Acquisition, Microsoft, Blizzard.

1. Introduction

Microsoft is an American multinational technology corporation founded on April 4, 1975. With fiscal 2023 revenue of \$21,915 billion, Headquartered in Redmond, Washington, the company develops, manufactures, licenses and provides a wide range of computer software services [1]. The most famous and best-selling products for the Windows operating system and Office software series, is the world's largest Computer software provider, the world's PC (Personal Computer, personal computer) software development leader.

Blizzard Entertainment is an independent division and brand of Activision Blizzard Corporation, an American video game developer, publisher, and distributor. But in the process of research and development, relative to the parent company, activision blizzard entertainment operate independently. Blizzard entertainment on February 8, 1991 by Michael three graduates of the university of California, Los Angeles, Morhaim, Allen Adham, Frank Pearce to Silicon&Synapse founded the name, in 1994, it was renamed Blizzard [2]. It has launched several game series such as Warcraft series, Starcraft series, Diablo series, World of Warcraft, Hearthstone Legend, Heroes of the Storm and Overwatch, which have been included in many e-sports competitions.

Blizzard Entertainment was acquired in its early years, and after many changes of hands, it was integrated into Snow Mountain Online (later renamed Snow Mountain Entertainment), which is behind the Vivendi Group. Vivendi reorganized its game business in 2004 and established a subsidiary, Vivendi Games, which consists of several divisions including Cerro Mountain and Blizzard Entertainment. As activision merged with vivendi games, vivendi games, sierra, and blizzard entertainment department were merged into the whole activision. However, this does not have much impact on the overall operation of Blizzard Entertainment. As for blizzard, it is just in another club, only this time the new owner, is the famous giant American game publisher activision. In January 2022, Microsoft's acquisition of Activision blizzard [3].

This paper aims to make an in-depth analysis of Microsoft's acquisition of Blizzard enterprise restructuring cases, comprehensively analyze the acquisition motivation, restructuring strategy, influencing factors and other aspects, and discuss its influence on Microsoft and Blizzard enterprises. The means used during Microsoft's acquisition and the impact on the overall game market. In order to gain valuable experience and lessons from it.

2. Motivation for Acquisition

As for the motivation for acquisition, there are many acquisition motives for Microsoft. To be specific, there are a lot of behaviors in the process of acquisition that can affect the development and operation of the market, and also play to increase the audience in the game market. First of all, as a world-renowned game developer and publisher, Blizzard Enterprise has a large user base and rich game IP resources, which is a very attractive asset for Microsoft. And this IP resource can help Microsoft quickly expand its gaming status. And to increase the game audience, and Microsoft exposure around the world. Microsoft also hopes to further promote the development of its cloud gaming and game subscription services through its partnership with Blizzard Enterprises. After Microsoft's acquisition of Blizzard, the two companies have achieved significant results. First, Microsoft has further expanded its influence in the gaming market through Blizzard's game brand and well-known IP. Second, Microsoft's partnership with Blizzard has driven the development of cloud gaming and game subscription services, providing a better gaming experience for players [4].

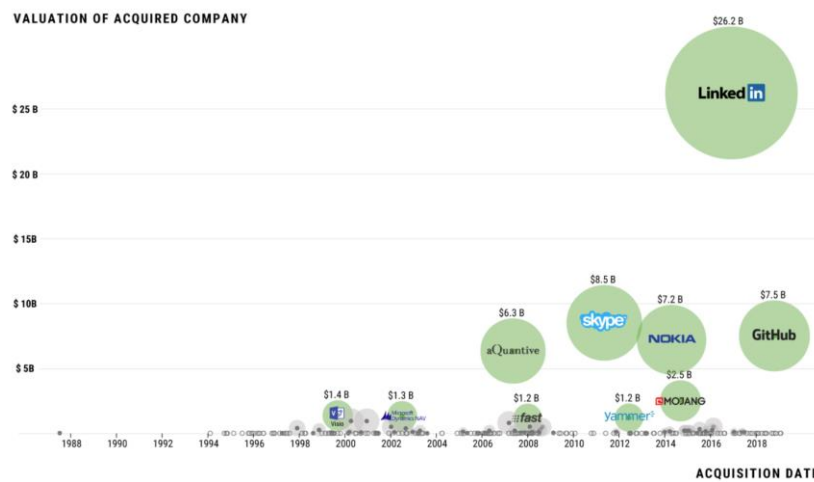


Figure 1. Previous acquisition of Microsoft

The cooperation between the two companies has also promoted the development of innovative technology and brought new development opportunities to the gambling industry. Microsoft's acquisition of the Blizzard enterprise restructuring case was also influenced by a number of factors. First, the impact of market competition on this case cannot be ignored. Microsoft's acquisition of Blizzard further expanded its market share in the gaming industry and became more competition with other competitors. Secondly, the impact of technology development on cases is also very important. Through its partnership with Blizzard Enterprises (seen from the activation uses quantities given in Fig. 2), Microsoft has accelerated the development of its cloud gaming and game subscription services and enhanced the user experience.

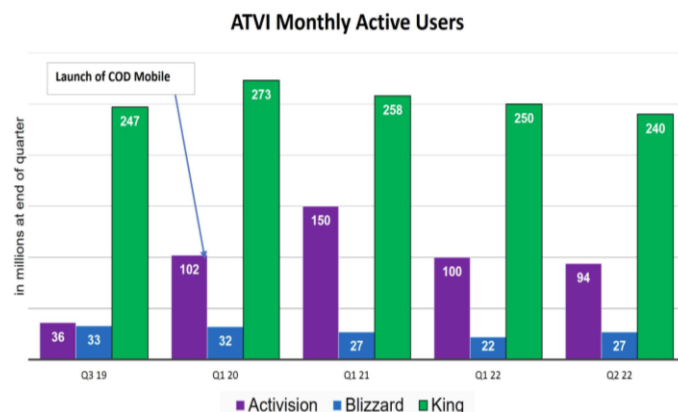


Figure 2. ATVI monthly active users

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The influence of organizational culture on the case cannot be ignored. Microsoft and Blizzard companies have differences in culture and values, and how to effectively integrate their cultures has become an important issue. Microsoft's acquisition of Blizzard is part of its restructuring strategy [3, 7]. By acquiring Blizzard, Microsoft has expanded its presence in gaming and gained expertise and experience in game development and publishing. This will help Microsoft further consolidate its leadership position in the technology industry and provide additional growth momentum for its future growth. In addition, Microsoft's partnership with Blizzard also strengthens the cooperation between the two companies in areas such as cloud computing and artificial intelligence, providing more opportunities for the development and application of innovative technologies.

3. Analysis of the Economic Forms

From the economic perspective, the acquisition of Blizzard enterprises can bring multiple economic benefits. First, Blizzard Enterprise is a well-known game development and publishing company, with many popular games ip (intellectual property), including World of Warcraft and Diablo [5]. By acquiring Blizzard companies, Microsoft can acquire ownership of these well-known ips and integrate them into its own gaming ecosystem, further expanding its market share in the gaming space. Second, Blizzard has rich experience and technical strength in game development and distribution. Microsoft can acquire this experience and technology by acquiring Blizzard companies to enhance its competitiveness in gaming space (seen from Table 1). In addition, Microsoft can use Blizzard's global distribution network to expand its reach in the global market [6].

From a management perspective, the acquisition of Blizzard enterprises requires organizational restructuring and management integration. Microsoft needs to consider how to integrate Blizzard's corporate businesses and teams with its own to achieve synergies. This includes integrating the R&D teams, sales teams, and marketing teams of both sides to improve efficiency and create greater value. In addition, Microsoft needs to consider how to keep Blizzard enterprises independent and innovative to ensure its sustainable growth and innovation. Finally, it can be analyzed from a strategic perspective. The acquisition of Blizzard Enterprise could help Microsoft achieve several strategic goals. First, Microsoft can further consolidate its position in the gaming sector by acquiring Blizzard enterprises, and enhance its brand value and market competitiveness. Second, Microsoft could expand its products and services by acquiring Blizzard to offering a greater variety of game products and services to meet the needs of different users. In addition, Microsoft can leverage Blizzard's global distribution network to further expand its presence in the global market. Finally, Microsoft can also acquire more intellectual property and technology from Blizzard companies to support its innovation and development in other fields [6].

Table 1. Financial statement of the two companies

Company/Revenue	Revenue/Year in 2018	Revenue/Year in 2019	Revenue/Year of 2020	Income for year 2021	Revenue/Year of 2022	Revenue/Year of 2023
blizzard	75	65	80.86	88.03	75	
Microsoft	1103	1,258	1430	1681	1,983	2,113

In terms of integrated management, Microsoft needs to develop appropriate strategies to ensure the success of the acquisition. First, maintain brand independence. Microsoft can choose to keep the Blizzard brand independent and make it continue to operate in its own way. Doing so will sustain Blizzard's original fan base and continue to develop and release new games. Second, resource integration. Microsoft can use its own resources and technology advantages to support Blizzard's development. For example, Microsoft could provide more research and development funding and technical support for Blizzard to accelerate game development and innovation [7]. Third, collaborative innovation. Microsoft and Blizzard can collaborate on innovative projects to explore new areas of games and technology together. Such cooperation can promote the two sides to complement each other and bring players a better game experience. Fourth, marketing synergy. Microsoft can use its own marketing channels and brand influence to promote Blizzard's games. For example, Microsoft could tie Blizzard's games to its own Xbox console to increase game exposure and sales. Finally, the talent is sharing. Microsoft and Blizzard can share talent resources to improve their overall R & D and operational capabilities. For example, Microsoft could assign some technical experts to work and learn with them.

4. Analyze of the Industry Competition Pattern

Market Share and Competitors. Microsoft's acquisition of Blizzard will further consolidate its market share in the gaming industry. Blizzard is the world's leading game development and publishing company, and has a number of well-known game brands and loyal player groups. With Blizzard, Microsoft will be able to compete more fiercely with other gaming giants such as SONY and Nintendo [8].

As for innovation and product development, the partnership between Microsoft and Blizzard will lead to more technological innovation and product development. As a technology company, Microsoft has rich research and development resources and technical strength, which can provide more technical support and innovation capabilities for Blizzard. This will help Blizzard to launch more innovative games products and improve its competitiveness in the market [9].

Regarding to channel and sales network, after acquiring Blizzard, Microsoft can use its rich channels and sales network to bring Blizzard's game products to the global market. Microsoft has a huge sales network and channel resources worldwide, which can help Blizzard expand its market share and further enhance its brand influence.

After Microsoft's acquisition of Blizzard, the two sides can conduct deeper cooperation and integration. Microsoft can combine Blizzard's game products with its own hardware products, such as the Xbox game console, to provide a more complete game solution. In addition, Microsoft can also use its own cloud computing services to provide Blizzard with a more stable and efficient gaming running environment [10].

5. Conclusion

Microsoft's acquisition of the Blizzard Enterprise restructuring case is a success case. By acquiring Blizzard Enterprise, Microsoft further consolidated its position in the gaming industry and expanded its market share. At the same time, through the partnership with Blizzard enterprises, Microsoft has accelerated the development of cloud gaming and gaming subscription services, and enhanced the user experience. However, the cases also faced some challenges, such as market competition and organizational culture integration. Therefore, Microsoft needs to continue to adapt to the changes in the market and improve its competitiveness. **Expand resources:** As a technology giant, Microsoft has a strong influence in the game industry through Xbox and PC games, and may bring a lot of capital and technical resources to Blizzard. This could increase game development budgets, improve infrastructure and promotion. Microsoft may integrate Blizzard's games into its Xbox game pass subscription service to offer users a wider range of games. This will promote the popularity of Game

Pass and attract more players to play Blizzard's games. Microsoft's expertise in cloud computing (Azure) could help Blizzard improve its online experience, reduce server problems, and enhance multiplayer gameplay. The two sides can also work together in areas such as cross-platform gaming, where Microsoft is more advanced. Innovation and collaboration: While Blizzard has been sticking to their existing franchise, Microsoft may encourage them to explore new ip and try out different gameplay concepts. The collaboration between Blizzard and other Microsoft studios could also lead to interesting cross-series projects. Market competition: The acquisition could affect the competitive landscape. Microsoft will have a more powerful product portfolio to compete with other gaming giants such as Sony and its PlayStation platform. This competition could drive innovation and improvement across the industry. Cultural integration between the two companies can be challenging. The creative-free and community-oriented approach that Blizzard emphasizes may need to be aligned with Microsoft's corporate structure and goals. Blizzard fans may react differently to the acquisition. Some may be excited about potential improvements and collaboration, while others may worry about changing corporate identity and putting profits above ideas.

Author Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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