

Microsoft to become third-largest video game company through \$68.7 billion acquisition of Activision Blizzard

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On January 18, technology giant Microsoft Corp. announced it would acquire video game company Activision Blizzard (also known as Activision Blizzard King or ABK) for \$68.7 billion. The acquisition, expected to close between this July and the summer of 2023, will be the largest in the history of the video game industry and will make Microsoft the third-largest gaming company by revenue.

In 2021, Microsoft as a whole earned \$168.08 billion, up 18 percent year-over-year, while ABK—with nearly 10,000 employees in studios worldwide—earned \$9.05 billion, up 18.2 percent. The two companies in the gaming field still larger than Microsoft will be Sony and Tencent, which earned \$81.77 billion and \$73.8 billion in 2020, respectively.

Newsweek commented that the record purchase was set to push Microsoft “far higher up the gaming charts—and gaming is set [to] generate higher revenues than even Windows for the company, underlining the importance of the deal.” The lucrative deal far eclipses “the \$7.5 billion that Microsoft paid for ZeniMax and its subsidiaries (most notably Bethesda Softworks) back in 2020.”

Microsoft’s self-congratulatory January 18 press release begins by explaining how the purchase of Activision will bring “the joy and community of gaming to everyone, across every device,” and concludes by boasting about the financial bonanza to come: “With Activision Blizzard’s nearly 400 million monthly active players in 190 countries and three billion-dollar franchises, this acquisition will make [Microsoft’s] Game Pass one of the most compelling and diverse lineups of gaming content in the industry.”

There are a few clouds in this sunny sky. The acquisition was announced in the midst of a strike by ABK employees that began December 9, after a dozen quality assurance workers were suddenly laid off at subsidiary Raven Software. The end of the strike was announced January 22. Employees also staged walkouts in July and November after California’s Department of Fair Employment and Housing (DFEH) sued ABK over allegations of widespread sexual

harassment and unfair treatment of female employees.

These job actions must be seen in the context of the broader global surge of working class struggle. Workers are increasingly fighting back against a ruling class that has forced them to return to the job despite the severe risks posed by the COVID-19 pandemic. While many employees in video gaming are able to work remotely, the industry is notorious for long hours of mandatory overtime, or “crunch,” and the consequent toll taken on workers’ physical and mental health.

Meanwhile, members of a decidedly wealthier layer appear to be sorting out their differences by way of #MeToo-style attacks, forcing the resignations of a number of executives and senior developers at ABK. Microsoft certainly benefited from the barrage of bad press; ABK’s stock price stood at \$91.51 the day before the DFEH suit was announced, plunged to a low of \$50.78 on December 1 and soared to \$82.31 immediately after Microsoft announced the acquisition.

Microsoft’s purchase of ABK is only the latest in a string of acquisitions, including Mojang (*Minecraft*) in 2014; Playground Games (*Forza Horizon*), Undead Labs (*State of Decay*), Ninja Theory (*Hellblade*) and Obsidian Entertainment (*The Outer Worlds*) in 2018; and, as noted, ZeniMax in 2020, with its Bethesda Game Studios (*The Elder Scrolls, Fallout*), id Software (*Doom*), MachineGames (*Wolfenstein*) and Arkane Studios (*Dishonored, Prey*).

To name just a few titles, the purchase of ABK will give Microsoft direct ownership over the *Call of Duty* series of military shooters, the competitive multiplayer shooter *Overwatch* and the massively multiplayer online role-playing game (MMORPG) *World of Warcraft*. The purchase will also give Microsoft access to King, the highly successful mobile games company responsible for *Candy Crush Saga*, allowing the giant firm to extend its reach into video games for smartphones and tablets.

Microsoft’s main competitor in the home console space is

Sony. Whereas almost all games available for Microsoft's Xbox consoles are also available on other platforms, many ground-breaking titles are only available for Sony's PlayStation consoles. Recent PlayStation exclusives are impressive displays of graphical fidelity (*Demon's Souls*), processing power (*Ratchet and Clank: A Rift Apart*) and believable motion-capture performance (the *Uncharted* series, *The Last of Us Part II*, *God of War*).

Other sizable video game corporations include Tencent, which largely operates within China, and Nintendo (*Pokémon*, *Zelda*), which occupies something of a unique niche in the market. Whereas Microsoft and Sony push high-end hardware and market games to an adult demographic, Nintendo's Switch console is no more powerful than a smartphone, and it usually markets games toward children and parents.

At the same time, many of Nintendo's games are impressive feats of design. Games like *The Legend of Zelda: Breath of the Wild* and *Metroid Dread* have managed to capture mass audiences through innovative gameplay as opposed to graphical spectacle.

Significant developers and video game companies still exist outside those already mentioned, such as Take-Two Interactive (*Red Dead Redemption*, *Grand Theft Auto*), Capcom (*Street Fighter*, *Resident Evil*) and countless independent or "indie" developers, but the trend is, unsurprisingly, toward cartelization. ABK itself is a product of the merger of Activision and Blizzard in 2008 and the acquisition of King in 2016.

Through buying ABK, Microsoft may hope to deal a direct blow to Sony by transforming ABK staples like the *Call of Duty* series, which earns nearly \$2 billion annually, into Xbox exclusives. While Microsoft has vaguely stated it will not have existing ABK games removed from PlayStation, denying Sony access to future *Call of Duty* games would be a major blow to the latter.

Meanwhile, Microsoft also views the ABK acquisition as a means of staking a claim in the development of the metaverse, a futuristic game- and social media-like virtual reality world where users communicate and interact with each other. Billions of dollars are being invested in hardware and software development with the expectation that the metaverse will be the next enormously profitable tech phenomenon. As Microsoft CEO Satya Nadella stated in the ABK press announcement, "Gaming is the most dynamic and exciting category in entertainment across all platforms today and will play a key role in the development of metaverse platforms."

While playing games has been a part of human activity for thousands of years, the jury is still out as to what precise role video games will play in the development of cultural life.

There is no doubt that great numbers of young people in particular spend an inordinate amount of time at present playing mindless and even reactionary games (the *Call of Duty* series first among them).

Video games are themselves an artistic medium, with both a vast appeal and potential. On the one hand, they are games—that is, systems of rules designed to be played with. On the other hand, they are aesthetic, audiovisual experiences, with the tools of film and television production at their disposal.

Some video games are more or less pure art objects, some are pure games akin to chess or baseball, and the vast majority are something in-between. A video game might be entertaining to play but artistically unsatisfying, or it might be artistically satisfying but not entertaining. The most memorable video games are exceptional combinations of game design and artistic expression, such that one can hardly tell where the one begins and the other ends.

Despite the tremendous obstacles imposed by the profit motive and the control of the major studios, talented artists and designers have still managed to produce impressive, sensitive, and engaging work in the field of video games (which we hope to highlight in future reviews), just as talented artists have still managed to produce such work in film and television.

The intensifying drive by a few massive corporations to dominate and control access to video games—which are already difficult to access due to prohibitive hardware costs—is a naked display of greed that, if allowed to continue, cannot possibly benefit the medium or human culture as a whole.



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