

Reference: 2021MAY0010 (Competition Commission Inquiry Into Online Intermediation Platform)

14 July 2021

Dear Mr. Hodge:

Thank you for your letter dated 8 July 2021 seeking clarifications on the information we provided on 18 June 2021. In addition, we have also received your letter inquiring as to whether Microsoft plans to submit comments on the statement of issues. In light of the fact that we do not offer online intermediation platforms as defined by the Statement of Issues, other than the limited applications stores for which we have provided information, Microsoft does not currently plan on providing comments on the Statement of Issues.

Please find below each of the questions raised in your letter seeking clarification as well as our effort to clarify the information provided previously.

2.1. With reference to your response to Background and Business Activities: 2.1.1. As per question 3, briefly describe how the platform business (app stores) is positioned relative to other platform businesses.

Microsoft's application stores are offered as complements to our operating system and gaming businesses. We make them available to ensure that customers have an easy-to-find and trusted location to acquire applications and games for Windows or Xbox consoles. They are not run as separate businesses.

2.2. With reference to your response to Platform Performance Information: 2.2.1. As per question 5, provide a detailed financial breakdown of the operational costs of South African operations of your platform business for the years 2019, 2020 and 2021 (per your submission on revenues).

As explained above, Microsoft does not run its application stores as a separate business and does not track all of our expenses separately for our application stores. We do not track platform costs or expenses on a country-by-country basis. Thus, Microsoft does not have data on our app store operations costs in South Africa data to provide in response to this question.

2.2.2. As per question 6.3, since the launch of the platforms (Microsoft Store for Windows, Xbox Store for PC and Xbox Store for Consoles) in South Africa, provide the number of businesses/developers on the platforms.

[REDACTED]

2.3. With reference to your response to Business Model:2 2.3.1.

As per question 11, provide copies of your company's latest marketing materials targeted at consumers.

As noted above, Microsoft does not run its application stores as a separate business and thus it does not market its app stores directly to consumers. Marketing is done for the platforms themselves (Xbox and Windows). The most relevant marketing material and positioning is available on our websites, specifically <https://www.microsoft.com/en-za/windows/> and <https://www.xbox.com/en-za/>.

2.4. With reference to your response to Relationship with Business Users: 2.4.1. As per question 17, does your company, or any related company, sell its own goods, services or software over your platform (Y/N)?

If yes: 2.4.1.1. Describe the nature of goods/services/software sold or offered.

As noted in our previous response, yes, Microsoft offers many various first-party applications, games, and services, for use on Windows and Xbox consoles. These include productivity solutions like Microsoft Office and Microsoft 365, casual games such as Microsoft Solitaire, premium games such as Halo, gaming services subscriptions such as Xbox Live, and tools for software and developers.

2.4.1.2. Provide the platform terms and conditions, including fees and commissions, applicable for your own goods, services or software, as well as any add-on services used.

When distributing through our app stores, Microsoft applications and games are subject to the same terms and conditions as third-party app developers noted in our previous response, and Microsoft holds itself to the App Fairness Principles noted in our previous response. Of course, fees or commissions would not apply to Microsoft as making a payment from Microsoft to Microsoft is not necessary.

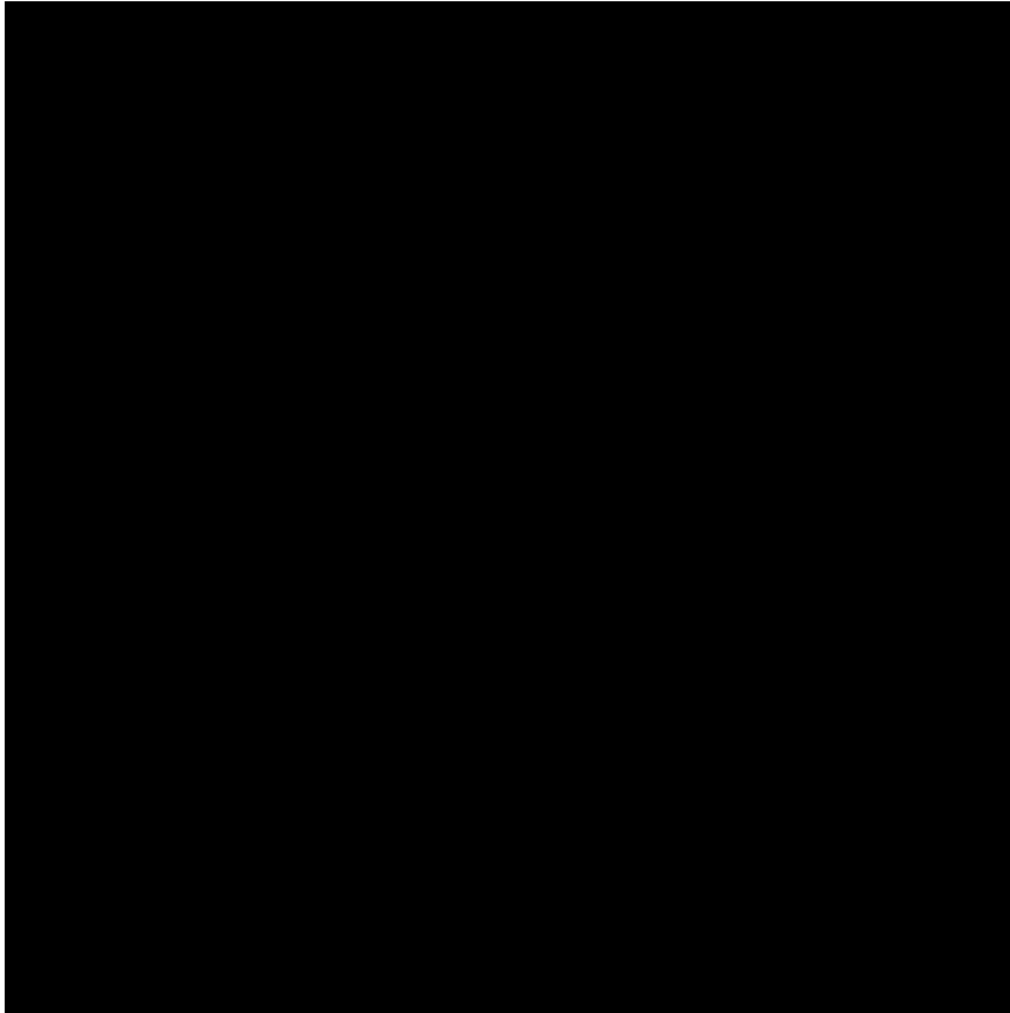
2.5. With reference to your response to Relationship with Consumers: 2.5.1. As per question 19, provide the marketing plan of the company in respect of consumers, including the marketing budget and distribution of marketing spend by channel for the past financial year. If no formal plan exists, provide the marketing spend by different channels for the past financial year.

Microsoft offers many different products and services, most of which are aimed at business as opposed to consumer users. We have marketing teams that work throughout the company and do not have one consolidated consumer marketing group that tracks its total marketing investments, including advertising, to consumers. Thus, Microsoft does not have a consumer marketing plan to share. Microsoft can confirm that it does not advertise its application stores to consumers as they are not run as separate businesses.

2.6.1. As per question 23, Kindly provide the names and contact details of the following business users:

2.6.1.1. The 10 largest business users by sales or leads generated through the platform in the last financial year.

Below are the top ten biggest application distributors through our store measured first by app downloads and second by revenue generated.



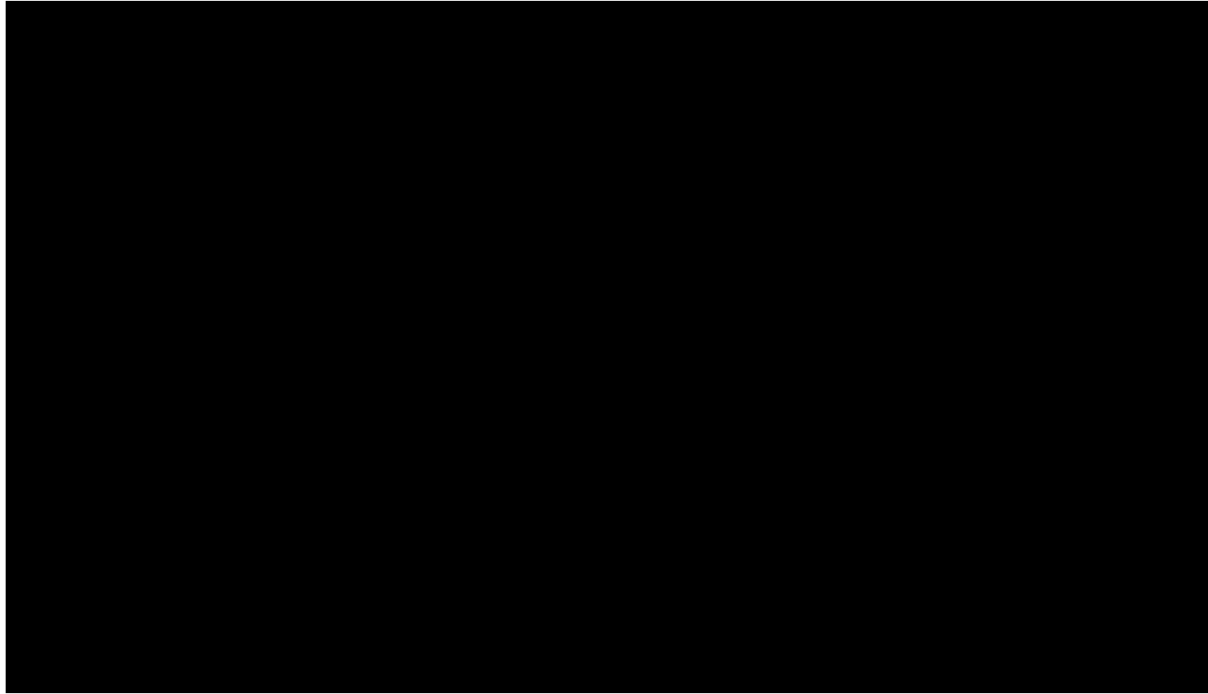
2.6.1.2. The 10 smallest business users sales or leads generated through the platform in the last financial year.

The Microsoft Store has numerous developer accounts opened that lead to no application sales or downloads. Therefore, we do not have a meaningful list to provide. Please see the response to 2.6.1.3 for developer accounts that have recently closed.

2.6.1.3. The 10 most recent business users who left your platform (either on their own accord or being terminated).

Developers regularly come and go on our platform. Microsoft notes that we have no way to determine when a developer has decided to leave our platform by abandoning its account rather than actively terminating it. [REDACTED]

[REDACTED] The information for those takedowns is below.



2.6.1.4. The 10 most recent potential business users who engaged with the platform but did not end up using the platform (either because they did not meet the platform’s requirements or on their own accord).

Microsoft refers to its response to Question 2.6.1.3 and notes that Microsoft has no way to track developers who think about distributing an application on our platforms and then elect not to. Please see the response to Question 2.6.1.3 for [REDACTED] who have recently left the platform with closed accounts.

Sincerely,

Forrest Treat, Senior Corporate Counsel, CELA Competition Group

ftreat@microsoft.com