

**Czech University of Life Sciences Prague Faculty
of Economics and Management**



Abstract

Thesis Title: “The impact of current strategies on company's position
in the market: the case study of EA sports”

Author: Ahmed L.Khaleel

Abstract

Electronic Arts (EA) Company is one of the biggest companies in the world, their business is focusing on creating and developing video games and like other types of business it needs hard and high performance to achieve its targets. The company worked with Tree house brands' stores to launch a new store-subsiary together. These companies are providing video game e-commerce which is a method of doing business through the network to put the attention of the buyers where it needs to be, let the customers make a purchase and enjoy playing game. EA Company is one of the most successful companies that organize their position in the market in order to achieve the competitive advantage. The E-commerce contributes to increasing the revenues for many companies and results in profit maximization with high return on investment (ROI). With the validity of this utility EA will facilitate the services selling products to customers.

Electronic Arts (EA) is the world's leading developer of the video games and it operates internationally. The analysis of annual reports, income statement and examining current strategy will be determining where organization has room for improvement. Completion of alternative future strategy and recommendations will be implemented. During the analysis of the company's activities different analytical tools will be used which are: external analysis, general financial analysis, SWOT analysis, and Strategic analysis. After the completion of these four types of analysis, the diploma will include substitution strategy alongside with recommendations that will give the company strength to continue in the market and compete with other companies in the fields of the video games.

Despite the analysis done to the company Electronic Arts, there are still many opportunities the company might have in the future. But also the global company face threats such as unstabilized economy, in addition to the piracy issues and competency. The weakness and threats of the company would be solved by taking an alternative strategy beside the strategies applied by the company for saving itself and increase its' market share.

The recommended strategy beside the current strategies of the Electronic Arts is to apply the higher efficiency strategy which would increase the efficiency of the company internally. This strategy is crucial and it will help the Electronic Arts to survive in the market and increase

its market share over its rivals, by enhance the innovation and the invention to be distinguished from the competitors.

Key words

Electronic arts sports, video games, internet, mobile games, applications, developer , Activision Blizzard, Sony Online Entertainment, Take-Two Interactive Software Inc, Global companies.

Introduction

The video game has recently become the hottest and the most fluctuated sphere of study within new media theory, after forty years since appeared, at last the idea of video game theory is gaining acceptance in academia, even as pockets of resistance still remain. A few years ago this reader could not have come into being, not only because a lack of an audience, but also because of the scarcity of scholars willing to take the video game mainly as a cultural object worthy of attention. In past years, when video games were not mentioned at all, usually appeared only as one example among many of new media technologies. But since the environment of the video games continuing growing with the new generations day after day it had become a core point between the digital media in several ways, and its significance is finally became recognized.

The electronic framework which are used to play video games are called platforms, it can be consoles, or personal computers. These platforms are available in different sizes as that it can be huge mainframe computers also can be small computing devices caught by hands. There are special types of video games such as arcade games which became a phenomenon during the 1980s, after that it started to decline regressively, due to the widespread availability of home video game devices represented in PlayStation 4, Xbox One, and video games on desktop or notebooks, and smart devices such as tablets and smart phones.

Video games industry is strong engine for economic growth. In 2014, the video game industry sold approximately 135 million games and gain more than 22 billion USD of revenue. Almost 52% of the total sales were through the network including the downloadable content, social network games and mobile games. In United States, the companies of video games employ directly or indirectly over 146,200 people. The video game industry has grown so fast to be one of the largest global entertainment industry where everyday handling with millions of customers over the world and generating billions of dollars in revenues every year and insure jobs to communities across the world.

Electronic Arts was founded in 1982, the ownership public (Nasdaq: EA), global headquarters located in redwood city California electronic arts inc. It is a leader of global interactive entertainment software business which was considered as an interesting idea with huge limits and only little possible niche market but according to entertainment software

association. The chief executive officer Mr. Andrew Wilson was allocated to lead the Electronic Arts in September 2013, he had various strategic positions since he joined the company in 2000, the CEO was responsible for providing the leadership of the product and the brand enhancement for both digital services and the package of the goods. From a curiosity in the mid-1970s, the computer and video game industries have grown from focused markets to mainstream. They took in about 9.5 billion USD in the U.S. in 2007, and 11.7 USD billion in 2008. Therefore in the beginning few people only believed in the industry as a whole, and particularly in electronic arts.

The main concept of their strategy was selling the products directly to customers without involving the third party vendor. Company's portfolio of brands includes a diversified extent of categories (comprising action-adventure, casual, family, fantasy, first-person shooter, horror, science fiction, role-playing, racing, simulation, sports, and strategy games), also the portfolio and includes wholly-owned brands by EA such as the game Battlefield, Need for Speed, The Sims, added to that the brands which based on licensed intellectual property such as the game FIFA, Madden NFL and Star Wars.

Methodology

In this thesis mainly the descriptive and comparative method will be used. Also the historical method in some parts will be applied to see the company's developments over the time thru the company's annual reports. And finally the analytical approach to calculate some important ratios.

EA Company (case study of this thesis), is gaining revenues from the products and services that it provides to the customers, the Electronic Arts products include the sale of software games or some related content, there are two ways of delivering the products via a disc (packaged goods) or via the internet for example (full-game downloads).

Another option the company is applying to get revenues is the licensing of game software, which is considered as the biggest succession of the EA Sports that began with NFL games and NHL games. This success led the company to apply many acquisitions in the market of video games. Mobile game considered as one of the most important products to the company according to the success which achieved by this product in the previous years. In 2014, the monthly active users of mobile business of the EA reached 130 million.

The production line of EA is consisting of EA games, EA sports, EA play, EA Interactive. Each of this title consists of games that have special features and style of playing. The industry of video games or so called interactive entertainment, is Considered as one of the fast developing economic sectors which involve creating, designing and selling of the digital games. Variety of the disciplines drive a huge number of people to be employed in this industry around the world. EA is one of the biggest companies in the industry competing internationally in the market with entity to obtain the leader position of the market and win the battle of the Video games besides generating great numbers in sales. EA revenues are coming mainly from the U.S market.

Electronic Arts competes with other companies who are producing video games for the leisure time and discretionary expenses of consumers, as well as competing with providers of different amusement forms such as TV, social media, online entertainment, and music. EA's main competitor in the market is Activision Blizzard and the Take-Tow Interactive, the first company develops several famous games that have a huge customer base such as Call of Duty, while the second company develops and publishing games that the main concept of it is to be free as a famous example is the game which called the Grand Thief Auto.

The main strategy of Electronic Arts is to change the way of distribution from the traditional way to the online through the internet, it was applied in 2013, the new strategy made almost the half revenue of Electronic Arts by making the download for the customers digitally. The main idea from the strategy of the Electronic Arts is to be more direct with the customers. Throughout several channels of distribution EA delivers its' products and services to the customers directly. Also, to follow the motto of the CEO Mr. Andrew Wilson who say's "Player-first".

The thesis will consist The five forces of porter which has many benefits and there are some points we have to put in the mind while using this tool which studying the external environment of the company, these points came from the fact that the environment which the company operating in nowadays is not the same they were operating in the past. The industry of video games have a high degree of completion and the pressure is existing in , versification in the games that players would like to play, brand image , loyalty of the customers, the worries of new competitors entering the market, bargaining power of buyer as well as from the suppliers point of view. All these factors would help the companies to be patient and achieve the goal they want in the right time.

SWOT analysis used in this thesis to illustrate the strength, weaknesses, Opportunities and threats. As well as finding the alternative strategies, the company has to use in order to increase their share in market and increase the sales.

Recommended strategy according to EA company its position and the market it operates in, there must be additional strategy(s) that would help the company to achieve its goals. the analysis showed that the company needs some improvements in the internal environment. therefore the recommended strategy is hire efficiency strategy which aimed to increase the expenses of Electronic Arts on the R&D center in order to come up with new titles that are accepted by the customers (gamers), also to invent new console in order to get rid of the limitations of designing and graphics.

Conclusion

Electronic Arts established before three decades, during the long time of their presence in the industry they gain a lot of experience, which helped the company to be in the current position and being as a leader in the meant industry. Although the company is distributing internationally and has managed to obtain the top of business by leading the market of video games over the world, the company is still need more improvements and developments of resources.

There are still some aspects the company needs to defeat in order to refine the business. The main reason behind losing their position in the market last three year was the mergers between the two companies Activision and Blizzard to become as one entity(each of them has its own plans and strategies), and the innovation of establishing new title of game that attract gamers to buy and enjoy playing. Also, EA wrong prediction of having the winner console in the market led the company to focus in one type more than other. Alongside with the financial crisis that pushed the company resorting to restructure and limitized its plans.

The successful marketing strategy which the Electronic Arts doing by offering free games, and gamers would be charged just in case they would like to have better condition in the game, this type of games the Electronic Arts provided online. The company has to increase the awareness of customers who have digital goods that possibly downloaded for free beside the popular marketing they have which represented by packaged goods.

Despite the analysis showed that there are still many opportunities the company might have in the future, EA as a global company faces many threats such as change in currency rate, and unstabilized economy, in addition to piracy issues and competency. The weakness and threats of the company would be solved by taking an alternative strategy beside the strategies applied by the company for saving itself and increase its' market share.

The recommended strategy beside the current strategies of the Electronic Arts is to apply the higher efficiency strategy which would increase the efficiency of the company internally. This strategy is crucial and it will help the Electronic Arts to survive in the market and increase its' market share over its rivals, by enhance the innovation and the invention to be distinguished from the competitors.

References

BBC News."World of Warcraft Cataclysm takes PC sales crown". BBC News December 14. 2010. web . 10. 10. 2015

< <http://www.bbc.com/news/technology-11991041>>

Esa." industry facts".2015.web.05.11.2015

< <http://www.theesa.com/about-esa/industry-facts/>>

Lee, D. "EA games web server hacked to host phishing website now fixed". BBC News.web.15.08.2015 technology .2014.

< <http://www.bbc.com/news/technology-13846031>>

The Official website of the Electronic Arts

< <http://www.ea.com/about>>

Electronic Arts Inc. (2010-2014). Annual Reports and Proxy Statements.

<<http://investor.ea.com/annuals.cfm>>

Flew, Terry; Humphreys, Sal."Games Technology, Industry, Culture". New Media: an Introduction (Second Edition). Oxford University Press. pp. 101–114. ISBN 0-19-555149-4.

Market realist."Electronic Arts stock benefits from innovation and sound strategy".web.10.10.2015

< <http://marketrealist.com/2015/03/electronic-arts-stock-benefits-innovation-sound-strategy/>>

Daidone, A. "Six industries hurt by an NFL lockout". Yahoo sports, 08.April.2011.web.10.15.2015

<http://sports.yahoo.com/nfl/news?slug=ys-investopedia-who_else_suffers_from_nfl_lockout_040811>