

Czech University of Life Sciences Prague
Faculty of Economics and Management



Diploma thesis

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

Author: Ahmed L.Khaleel

Supervisor: doc. Ing. Mansoor Maitah, Ph.D. et Ph.D.

©Prague 2015

Acknowledgement

I would like to thank, doc.Ing. Mansoor Maitah, Ph.D et Ph.D for his advices and supporting during the time which I spent on this Diploma thesis.

Also I would like to thank my parents, and friends who helped and motivated me to finish this work.

Author: Ahmed L.Khaleel

In Prague.....

.....

Declaration

I declare that I have worked on my Diploma thesis Title: “The impact of current strategies on company's position in the market: the case study of EA sports” by myself and I have used only the resources mentioned at the end of the thesis.

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.

Abstrakt

Firma EA je jednou z největších společností na světě, která se zaměřuje na výrobu a vývoj videoher a stejně tak jako ostatní typy podnikání potřebuje vyšší výkony, aby dosáhla svých cílů. Společnost pracovala s firmou Tree house Brands' Stores, aby spustila nový obchod - dceřinou společností Together. Tyto společnosti poskytují nákupy videoher přes internet, což je metoda podnikání na internetu, která přiláká pozornost kupujících tam, kde je to potřeba a která nechá zákazníky nakoupit a užít si hru. EA sports je jedna z nejúspěšnějších společností, která organizuje svou pozici na trhu, aby dosáhla konkurenční výhody. Elektronické obchodování se podílí na zvyšování příjmů mnoha společností a má za následek maximalizaci zisků s vysokým obratem na investicích. Takto užitečně EA sports usnadní zákaznický servis prodeje.

EA sports je světovou přední firmou zabývající se videohrami a funguje mezinárodně. Rozbor výročních zpráv, přehled příjmů a zkoumání současné strategie určují, kde má organizace místo pro zlepšení. Dokončení náhradní budoucí strategie a doporučení budou zahrnuty. Při analýze aktivit společnosti budou použity různé analytické nástroje: vnější analýza, obecná finanční analýza, SWOT analýza a strategická analýza. Následující tyto čtyři strategie, práce zahrnuje také náhradní strategii spolu s doporučeními, které dají společnosti sílu pokračovat na trhu a konkurovat ostatním společnostem na trhu videoher.

I přes provedenou analýzu společnosti EA sports, je zde stále mnoho příležitostí, které společnost může v budoucnu mít. Společnost také čelí hrozbám jako nestabilní ekonomika, návrh k tomu také pirátství a konkurence. Slabá místa a hrozby společnosti budou řešeny alternativními strategiemi vedle strategií použitých společností pro její záchranu a navýšení jejího tržního podílu.

Doporučenou strategií kromě aktuálních strategií společnosti EA je, aby zavedla vyšší účinnou strategii, která by navýšila účinnost společnosti vnitřně. Tato strategie je stěžejní a pomůže společnosti přežít na trhu a navýšit její tržní podíl nad svými rivaly zlepšením inovace a investice, kterou se bude odlišovat od konkurence.

Klíčová slova:

EA sports, videohry, internet, hry v mobilu, aplikace, firma, Activision Blizzard, Sony Online Entertainment, Take-Two Interactive Software Inc, Global companies.

TABLE OF CONTENTS

1. Introduction	1
1.1 Aim.....	2
1.2 Methodology	2
2. Literature review	3
2.1 History of the video games.....	4
2.2 Platforms of video games.....	5
2.3 Types of video games.....	5
2.3.1 Casual games	5
2.3.2 Serious game.....	6
2.3.3 Adventure games	6
2.3.4 Educational video games	7
2.4 Statistics about video games	7
2.5 E-commerce and video games.....	11
2.6 Mobile games	11
3. Case study	14
3.1 Electronic Arts Inc. Over view.....	15
3.2 Vision and mission statement.....	17
4. EA's Products and Services	18
4.1 Product lines.....	19
4.1.1 EA Sports.....	19
4.1.2 EA Play.....	19
4.1.3 EA Games.....	20
4.1.4 EA Interactive.....	21
5. Industry and markets	22
5.1 Industry overview.....	22
5.2 Industry statistics.....	23

5.3 Markets (geographical presence)	26
6. Competitors	28
6.1 Competition in Games for Console Devices	28
6.2 Competition in Games for Mobile Devices	29
6.3 Competition in Online Gaming Services	29
7. EA’s Strategies	30
7.1 Current strategy	31
7.2 Supplementary strategies	33
8. Porter’s Five Force	35
8.1 Intensity of competitive rivalry: High	36
8.2 Threat of new entrants: Low	41
8.3 Substitute products: Low	44
8.4 Bargaining powers of suppliers: Low	45
8.5 Bargaining powers of buyers: Low	45
8.6 Porter’s five forces summary	46
9. Financial analysis	48
9.1 Revenues (net sales) and profits	48
9.1.1 Revenue classification	49
9.2 Stock price (market value)	50
9.3 Net income, Earnings per share	51
9.4 Financial ratio	51
9.5 Costs	54
9.6 Conclusion of financial analysis	55
10. SWOT analysis	56
11. SWOT matrix (TOWS Strategic Alternatives Matrix)	63
12. Alternative (additional) strategies	64
13. Recommended (additional) strategies	66
14. Conclusion	67
15. References	68
16. Appendices	72

1. 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 territory is only starting point to be recognized and mapped, the first walkthroughs are just being written. The medium itself is not a fixed target it's moving, changing and substituting even one tries to theorize and define it. But its route can be traced through the writings of the past three decades which have set the ground for video game theory.¹

Video games are growing very fast to become one of the most familiar media of choice among the children and young adults, as with any new media enjoyed by youth, and unused from the elders because of level of attention the video games need from the gamers, this section of the technology has huge number of responses, started by the curiosity, enamors and the love to try something new and ending by the fear to be addicted by this video games. However the video game might be a bad habit that many people and epically the segment of children would be infected. The video games would shift the performance of the student at school down, as well as other negative point that would harm the segment of people who play it. Even though the video games have negative aspects the statistics in America and Europe said that the video games might also help the student to create new ideas and innovate. However the industry of the video games is increasing day after day and the revenues of this industry is very high comparing with other industries. The media tolerated long time of reactionary alarm from politicians, activists,

¹ Mark J.P. and Wolf, Bernard Perron "An introduction to the video game theory" available at: <file:///C:/users/user/downloads/257485-346687-1-pb.pdf>

and scientists, until youth themselves age into the elders of society and acceptance becomes familiar. In that time, the positive use of a new medium may be delayed.²

1.1 Aim

The aim of this diploma thesis is to increase the company's sales in the market and revive its position. And include strategies that give to EA sports the opportunity to become more "direct-to-customers" company.

1.2 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.

² Christopher J. Ferguson "Introduction to the Special Issue on Video Games", Texas A&M International University. 2010. available at: <<http://christopherjferguson.com/ISIVG.pdf>>

2. Literature review

A video game is an electronic game that engages human interaction with a user interface to have visible feedback on a television or monitors of personal computers. The word video in video game historically referred to a raster display device, but nowadays the technology is growing very fast and inventing many other paths of displays such as 3D and even 5D.

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.³

Both of Game controller which is usually represented by mouse, joysticks, keyboard, or touch pads, in case of mobiles it can be either buttons or touch screen, and game's input devices applied for games is differing from platform to another, next to that in some games there is vibration alert along side with video and feedback audio, for the purpose of engaging the user more with game and increase his/ her entertaining.

Nowadays, video games are seen as art along side with being an industry. The video game industry is growing depending on commercial benefits which mainly come from teenagers with growth led especially by the rising Asian markets as well as mobile games. Since the beginning of 2015, sales generated by video game globally have reached an amount of 74 billion USD worldwide, and in the meant year and after broadcasting followed by TV, video games presented the third biggest portion in the U.S. amusement market.⁴

³ Baer, Ralph H. "television gaming apparatus and method". IP Research & community.1972.<<http://www.freepatentsonline.com/3659285.html>>

⁴ Market realist."Electronic Arts stock benefits from innovation and sound strategy". <<http://marketrealist.com/2015/03/electronic-arts-stock-benefits-innovation-sound-strategy/>>

2.1 History of the video games

The History of video games dates back to 1947, when the US was invented by Professor Thomas T. Goldsmith Jr. game called “Cathode ray tube Amusement Device”⁵

The following decade saw several games such as simple invention: Nimrod 1951 in Britain, and OXO by British Professor Alexander Q. Douglas in 1958 , Tennis for Two, an electronic interactive game engineered by William Higinbotham in 1958, Pong, game in 1972 by Atari.

The first game was invented for commercial purpose was calls Computer Space in 1971, which it's created by Nolan bushnell and Ted Dabney, it has been working by putting a coin as in some of the current Arcade. Contained screen TV without colors. At the end of the sixties American inventor devised a German assets Ralph e. Bayer first device video games Magnavox Odyssey, launched in 1972, was the first video games device connects to the TV to view photos.

In the past, it was possible for a single programmer or a small group of programmers producing a game, and this game has to be the most beautiful and successful one, but with the evolution witnessed in the video games industry, the games today is presenting the work of a large team of programmers. Added to that, it requires developing the game itself.⁶

Games development team includes: Producers, designer, Artists, Programmers, Audio engineer, and finally the Testers a group of players who are examining the entire game before launch and reporting software for any errors. Developing games does not include after the completion of the game programming, where many other companies operating the marketing, publishing, distribution and sales. The cost of production has become between one million to 20 million USD for a game in now days.⁷

⁵ Goldsmith, IT.” Cathode-ray tube amusement device”.December 14. 1948. < <https://www.google.com/patents/US2455992>>

⁶ Miller, M. "A History of Home Video Game Consoles". InformIT. April 01, 2005.
< <http://www.informit.com/articles/article.aspx?p=378141>>

⁷ Williams, G. “Cost of making games set to soar”. BBC News. November 17, 2005 available at:
< <http://news.bbc.co.uk/2/hi/technology/4442346.stm> >

2.2 Platforms of video games

Platforms that can play video games on:

- 1- Console game: devices are designed specifically for the Games and connected usually with a television. There are several examples for such devices such as Sega, Play station, Xbox.
- 2- PC games: games are played on home after installation and require enough space on the computer hard disk and usually the requirements of heavy machine. The most significant component is graphic cards and Rams which plays an important role to install the video game.
- 3- Mobile games: it is a revolution in the present Covenant Games are played on smart phones.
- 4- Browser game: games are working on a web browser (on the computer) and do not require strong specifications for the device to work.

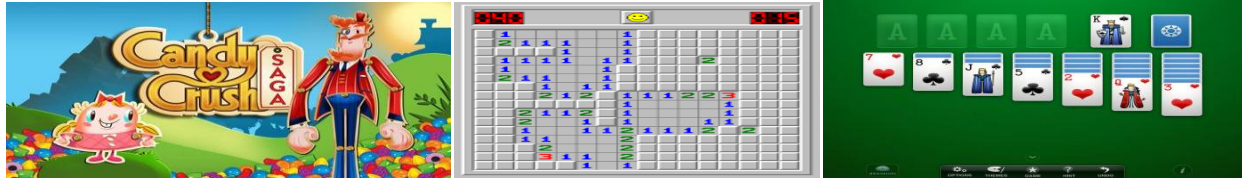
2.3 Types of video games

Similar to movies and films, video games are classified into different types:

2.3.1 Casual games

The name came from their ease of accessibility, easy to understand game play and quick to grasp rule sets. Additionally, casual video games have several distinguishing features, such a games predominantly based on web and we can usually found it either in the personal computers or mobile phones. it is usually easy games it need no time to learn the way of playing , many of the casual games consist of few controls normally a single button or two that will often control the majority of the game. Casual game often does not include a save feature the prose of this type of playing they can normally be played in small periods of time. This is the reverse of more "hardcore" games. Examples games such as, and Candy crush Saga which can commonly be found installed with many versions of the Microsoft Windows operating system in the personal computers.⁸

⁸ computer hope <<http://www.computerhope.com/jargon/c/casual-gaming.htm>>



(Source: Google images)

2.3.2 Serious game

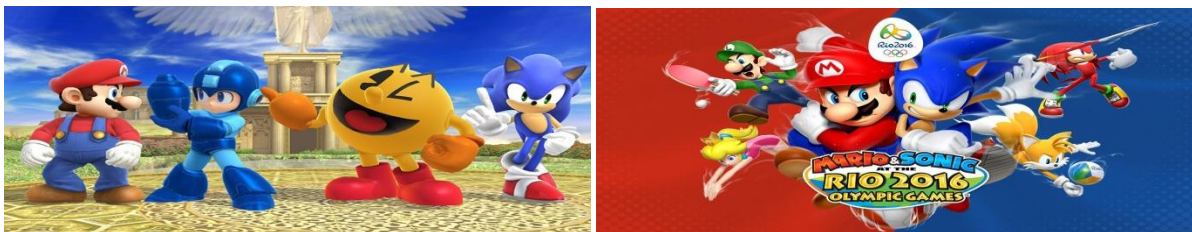
Serious games are games that are designed primarily to transfer information or a learning experience of some sort to the player rather than entertainment. Serious game is very useful to people who would like to use simulation for learning and training. Example of such a game ride a care simulation or firehouse simulations.



(Source: Google images)

2.3.3 Adventure games

For more than 3 decades, the adventure games have been the most important style of computer games. Since it was founded in 1977 by Advent, many have found adventure games to have a true immersive quality that can be compared to reading a book or watching a movie. If you are interested in playing games that can be thoughtful, engaging and intelligent, and provide some mental challenge while they're at it, you've just landed on the right sort of games. And it is a video game in which the player assumes the role of champion in an interactive story driven by exploration and puzzle-solving.⁹

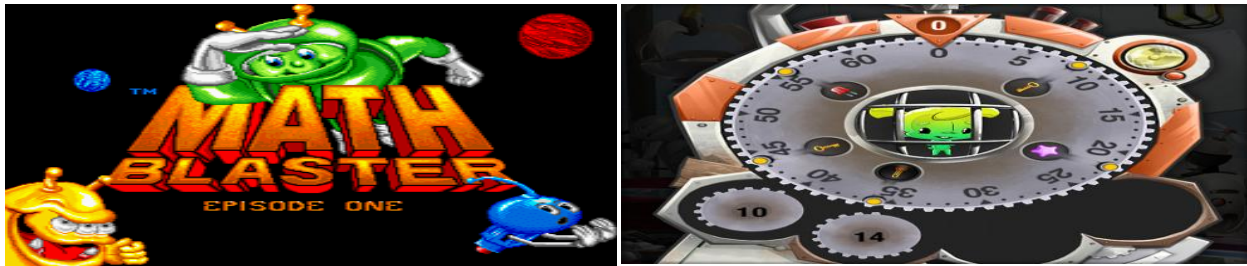


(Source: Google images)

⁹ Boorstin, J." Electronic Arts' Radical Strategy for Long-Term Growth" CNBC News. August 01, 2012. <<http://www.cnbc.com/id/48442437>>

2.3.4 Educational video games

The type of video games that offer educational value to the player, sometimes also called Edutainment which represent the merger between the video game and the educational software in one product. In united states the education is one of the most important features the government involving to increase the level of the education and innovation among the students and that encouraged the president Barack Obama released a campaign called “educate to innovate” the main objective of the campaign is to enhance the technological, mathematical, scientific and engineering abilities of American students. The main plan of the campaign is to involve some interactive games to help the student to achieve the goals of this program. The campaign opens a huge aspect of new opportunities for video games field and has helped to many new contests.¹⁰



Source: Google images

There are many other types of games such as Strategy games, Games MMO, Games RPG, and Sports games. It depends on the type of the player the reputation and the spread of the game in the region and last but not least the age of the player.

2.4 Statistics about video games

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.¹¹

¹⁰ President Barack Obama.”Educate to innovate”. Annual white house science April, 2013.
< <https://www.whitehouse.gov/issues/education/k-12/educate-innovate>>

¹¹ Esa.” industry facts”.2015.< <http://www.theesa.com/about-esa/industry-facts/>>

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. The video game industry in the United States is providing jobs opportunities for enormous amount of people directly or indirectly year after year. In 2009, video games direct employment in the US was 33.140. However, in 2012, the number increased to be 42.975, as shown in the following table.

Table No.1: U.S. Entertainment Software Industry Direct and Indirect Employment by State (2011) ¹²

Number of States	Total Direct Employment	Total Direct + Indirect Employment
36	42,527	146,482

Source: Data of the table taken from theest report 2014

In 2009, game industry in U.S. concerning the PC platform achieved estimated revenues of over 10.1 billion USD in the game software.¹³ This amount includes the various revenue models implemented by the PC game industry. The PC game industry is expected to continue its growth as the number of consumer PCs that are able to play games increase every year.¹⁴ See appendix No.2

In the industry of video games there billions of US dollars are expended for developing the industry, coming to the fact which is that the majority of developing this industry is held by Japan on the top, followed by the US. Actually, video game industry is considered as a very strong factor for the economic growth which is evidently shown by the high number of revenues collected annually, and the following graph is showing that increment. By the begging of 1990s the revenues gathered by the video game industry were volatile and not stabilized, firstly because of the unstabilized political situation (the cold war and its sequences), and secondly that people are not involved with such type of games yet. After so the people became much familiar with

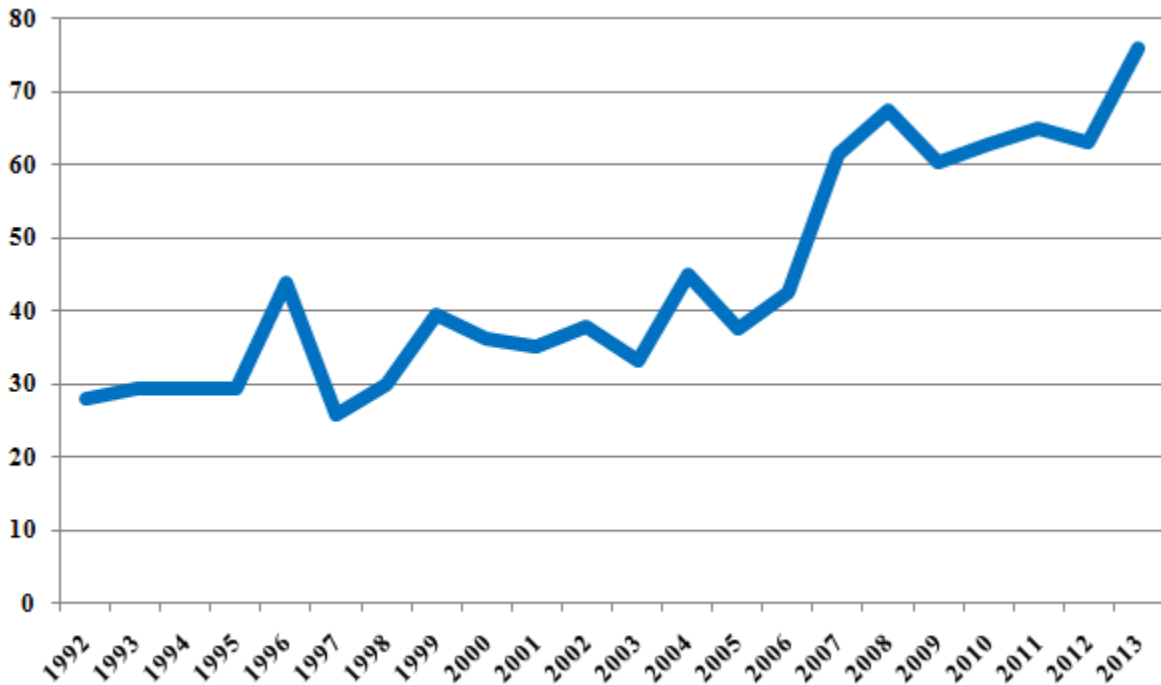
¹² siwek. S." video games 21st the century"the EST.2014. < http://www.theesa.com/wp-content/uploads/2014/11/VideoGames21stCentury_2014.pdf>

¹³ siwek. S." video games 21st the century"the EST.2014.page 4 < http://www.theesa.com/wp-content/uploads/2014/11/VideoGames21stCentury_2014.pdf>

¹⁴ Hovard Alexander, B. "The Computer Game Industry".NTNU. January 15, 2010.<<http://www.diva-portal.org/smash/get/diva2:349985/FULLTEXT01.pdf>>

that and revenues started to register new hits, namely in year 2006 where as the games where started to be involved in the bile phones.

Graph No.1: Worldwide revenues of video games industry (Billion USD)¹⁵



Source: Video game market revenue over the world the data taken from the wiki.

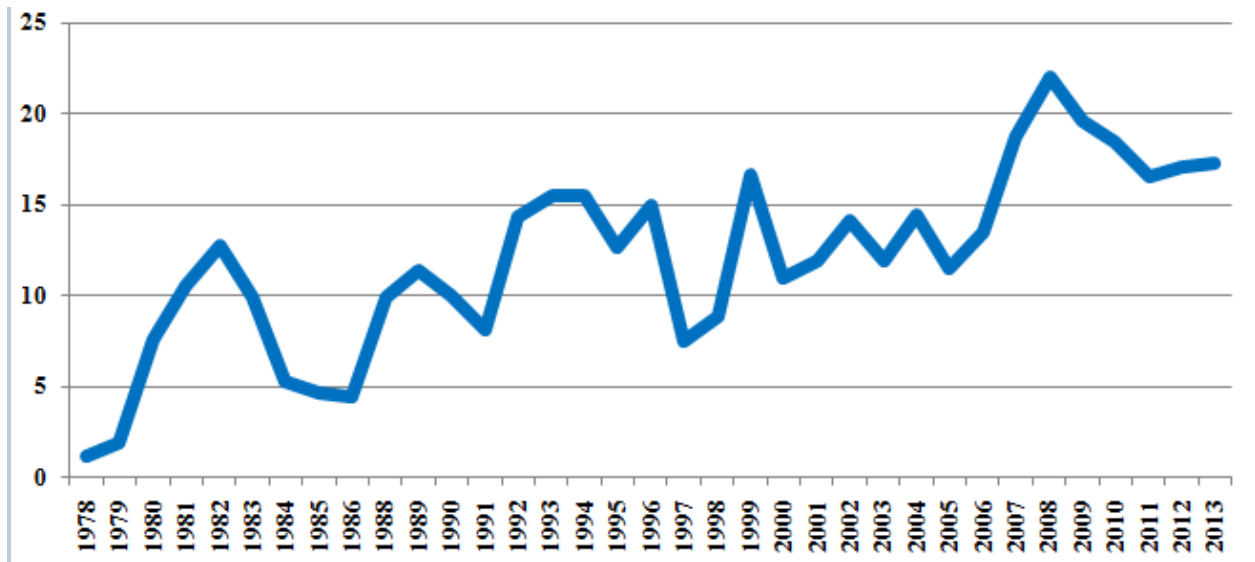
The US industry which one of the few giant operators in the video games globally which include designing the games, develop them, and then publishing them by a way which makes the customers and gamers are excited and waiting for the new releases, that all have led to a new line of entertainment presented to gamers, the thing which illustrate evidently the raised amount of revenues gathered annually by this industry.

And as mentioned earlier, that the United states is one of the largest countries which is well known by the gamers (through their releases of entertainment), thus it is logical to come to mind that the revenues gathered by this industry are comparatively high as compared with the other operating industries, that will be shown obviously in the following graph, which will show up the

¹⁵ History of worldwide video game revenues “video game industry”.wiki 2013.
<http://vgsales.wikia.com/wiki/Video_game_industry>

revenues gathered by this industry including games of the PC, arcade games, adventure games, and the recent games for which are mobile games. Due to the U.S. statistical office, the revenues gathered by this industry are getting to 22 billion USD only in 2009, which is great number to revive the economy.

Graph No.2: U.S Video Games industry Revenues (Billion USD)¹⁶



Source: the video game revenue in U.S the data taken from the wiki

Apple plc, is one of the biggest companies of producing and developing apps over the world announced in December 2013, that customers worldwide had spent more than 10 billion USD through app store to purchase games, some of the apps can be downloaded without charged and plenty of the apps are charged.

Video games industry is actually global; propagate the globe with its product release. As with any industry there is the presence of threats, such as technological covering or the piracy threat. However this is an industry which has had proponent expansion since its beginning and all reputable analysts predict that this will continue for the prognosable future.

¹⁶ Video games in U.S."Video games sales"Wiki.1978-2013.
<http://vgsales.wikia.com/wiki/Video_games_in_the_United_States.>

2.5 E-commerce and video games

In the last years, internet has changed the way of purchasing and vending products and services. We all remember the way that airline tickets were purchased before the internet was discovered. The E-commerce helped the companies to facilitate their services and provide it to customers, from the definition of the E-commerce its purchasing and selling goods and services throughout the internet. Therefore, the percentage of people who buying their goods through internet are increasing day after day and its obvious because we as well as the new generation are supporting the shopping from the electronic network. Since the internet became available for commercial purpose many companies took this opportunity to present their product to customers throughout internet directly. The video games company also used this utility to present the games online to customers and making the purchase without needs to leave the place where he/she lives. Video game publisher Electronic Arts is opening new online stores and changing its approach to e-commerce.

In August 2012, EA worked with Tree-house Brand Stores to launch a new store for its subsidiary Pop-Cap Games and one of the casual-game developer's hottest properties, the tower-defense title Plants vs. Zombies. Now, this partnership has kept continuing as that the two of companies have established the official EA website which is carrying products from its individual stores. Almost 52% of the total sales were proceeding over the network including the downloadable content, social network games as well as mobile games.¹⁷

2.6 Mobile games

The current mobile phones are similar to computers as they are smart phones, with tiny differences such as limited power of processor as compared with desktop, but still capable to run a small game. Having a smart phone with a person is more powerful than running the lunar Lander.

Today's phones are smart enough so that they are capable to send and receive digital data effectively, essentially equipped for "Sonic data". Yet smart phones can deliver and receive various types of data as well. This inseparable qualification to share information offers an

¹⁷ Carmichael, S."Video game E-commerce: It's about serving the fans". VB.2012<<http://venturebeat.com/2012/11/19/better-e-commerce-video-games/>>

adorable and unrivaled possibility of games designing, when the players are interacting through with each other, not only in the same region, but they can also do it with people living on another side of the globe.

Mobile game sphere has been a consistently developing field for more than 50 years up to the moment. With increasing number of mobile platforms' capacities, according to that games in today's phones are presenting an important and complementary side of a mobile phone. The most prevalent feature in every single device provides its user is the games' platform, Regardless of a phone's sophistication, stylishness, and device manifestation

Throughout the Game Development's phase the mobile game developer should pay the attention aware for the technical and the non-technical issues jointly. The team who is developing the application is the only party who deciding the type, graphical specs and the other issues accompanied to the model of the device. Doubtless, even the technique applied for construction and strategies followed for designing are all subjected to change.

The most important issue when developing a game is, the entire game plot as well as the style and innovation that are applied into the game play. The most innovative designs are the ones which have the highest number of users which are simultaneous with download considerably. Throughout the devices which enhanced with touch screen playing process become much comfortable for users to play complex games as well. Since that developing a game is a costly process, companies have begun using offshore development centers too.¹⁸

With the increased number of games' users of the mobile platform it reaching profits estimated by 11 Billion USD, in 2014. This amount makes it evident that the growing field of game development will reach a higher and higher profit amounts. In the recent couple of years, the users of mobile game development have been grown nearby threefold. The main mobile companies for which are developing are developing games worldwide are Apple, Samsung, Nokia, and Blackberry, in each of the mentioned above companies there is a different platform

¹⁸ Johnson, E. "Japanese console market down as mobile gaming takes over". MCV News. July 30, 2014. <<http://www.mcvuk.com/news/read/japanese-console-market-down-as-mobile-gaming-takes-over/0136110>>

and different application due to the differences if the operating systems acquire by each of them, so that each company supposes to develop it's platform by its own.¹⁹

EA is a company presenting an example of mobile games, the fiscal year 2014 was a year of considerable changes occurred to the industry of gaming as a whole and for the EA sports in particular. The industry has witnessed the launching of Xbox 1 which was subscribed by Microsoft, and PlayStation 4 by Sony, this device is considered as “next generation” for the video game home (console) systems, kept prosperity in gaming on mobile, and leadership transmission inside the Company. Throughout these changes, the company was eligible to send off marvelous games and services to its customers to achieve vigorous financial outcomes to the stockholders. Our mobile business got off about 460 million USD in non-GAAP net revenue for the fiscal year 2014, exceeding 130 million USD earned through active users.²⁰

¹⁹ Mobile Game Development: An Introduction DCKAP. < <http://www.dckap.com/blog/mobile-game-development-an-introduction/>>

²⁰ EA sports annual report of 2014

3. Case study

Electronic arts inc.



(Source: Google images)

3.1 Electronic Arts Inc. Over view

As a sequence of the evolution which we started witnessing in the last decades and the changing of life style, human beings also expand their needs for entertainment and different recuperation activities. Business is driven by the inclination and way customers have developed and companies try everything possible to fulfill these needs and wants.

Technology plays one significant turn in our everyday life. There are different ways in which technological advantages can be applied. One major use of technology is for entertainment. One of the most common forms of this technological entertainment is ‘video games’.

The company was founded in 1982, the ownership public (Nasdaq: EA), global headquarters located in redwood city California electronic arts inc.²¹ 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.²² 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 company was put together by Trip Hawkins with personal investment which amounted to 200.000 USD and in first years it only had employees hand count of only 11.²³

During the fiscal year 2008, Electronic Arts experienced an 18.6% growth and 3.6 billion USD in sales.²⁴ While In 2010 Electronic Arts Inc. was leading the global market of interactive entertainment Software Company. EA develops, publishes, and distributes interactive software globally for video game systems, personal computers, wireless devices, mobile games and the

²¹ The Electronic Arts official website <<http://www.ea.com/about>>

²² The Electronic Arts official website <<http://www.ea.com/executives>>

²³ Steven, L., Sebastopol CA, ” Hackers: Heroes of the Computer Revolution” , O’Reilly Media Inc. 2010. Page 335. ISBN 978-1-449-38839-3.

²⁴ annual report of Electronic Arts 2008, page 30

Internet. When the fiscal year ended in March 31, 2010 they found out that the company shares were amounted to 21%.²⁵

According to the annual report of the company in 2010, the Company became much sophisticated and has been organized into three labels which are: EA Games, EA Sport and EA Play. Added to that, company's operating structure includes EA Interactive organization EA Mobile, Pogo, Playfish, all beside worldwide Publishing Organization. Each Label of the mentioned earlier Electronic Arts Interactive operates globally with consecrate game development and marketing teams.²⁶

EA sports established a robust and stable position in the market, the company precedes that throughout releasing and developing the current games, not only so but EA has made license's acquisition to use the original logos of professional teams to be applied in their sports games. Added to that, the company has acquired the rights to use consummated anatomical analogues of familiar superstars in various sport types. Also, The company invests in top development studios such as the EA Canada (EAC) is EA's largest and one of its most reverential studios, beside many other studios diffused in many locations in both of Europe and Asia, for the purpose of using entire company's titles and capabilities for their own (EA sports) benefit. Above all that, the Company place a part in relatively small developers, which enhanced by the talent, and would have luminous future, and they are tightened by financial boundaries.²⁷

When EA was established in 1982, the main concept of their strategy was selling the products directly to customers without involving the third party vendor. The master principle of the company's strategy is to authorize instituted intellectual properties which EA call "brands" to make year-round gaming experiences on multiple platforms, each eligible of granting additional content and revenue over a period of time. As an example, in the contemporary years EA have published version of its FIFA branded soccer products every year for console, desktops, laptops and mobile platforms; throughout adding new sense and touch to the entire content and services for these products, as the company said that it is capable to expand the time interval over which users getting involved with these products, the company also willing to create new intellectual

²⁵ ESA ." About The Computer and video Game Industry".esa.2010. from entertainment software association: <http://www.theesa.com/facts/pdfs/esa_ef_2010.pdf>

²⁶ Annual Report of Electronic Arts 2010, page 6

²⁷ Electronic Arts official website <http://www.ea.com/locations>

properties imbedded with power and efforts to become well established franchises, like the EA sports UFC when the latter mixed-martial arts product which supposes to be issued in June 2014.

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.²⁸ According to company's experience in this field, authorizing strong brands with affirmative consumer appeal allows the company to issue iterative brand-based products and services like sequels, prequels, spinoffs and installments. This also allows the company to sell over different types of platforms for establishing a consumer base over longer periods of time.

3.2 Vision and mission statement

The company was focusing in many aspects, and they have put a mission and vision statements to achieve several goals in the markets. According to EA official website, the statements of the company in the recent year are as flow:

❖ Vision statement

“At Electronic Arts, we value being a generous company and community member”

❖ Mission statement

“EA Outreach engages our players and employees to improve lives through education programs and initiatives that foster a culture of inclusion.”²⁹

As well the Electronic Arts a suggestion was staying ethically and morally justified in the competitive environment.³⁰ However, the mission and vision statement were not found in the annual reports of EA Company.

²⁸ Annual Report of Electronic Arts 2014, page 73

²⁹ Electronic Arts official website available at: < <http://www.ea.com/outreach> >

³⁰ Electronic Arts Global code of conduct < <http://investor.ea.com/documentdisplay.cfm?DocumentID=4135> >

4. EA's Products and Services

The company 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.³¹ 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.³²

Electronic Arts also gets revenues from some services which are represented by time-based subscriptions and games or related content that necessitates the EA to host service for providing an essential and unique gaming experience. This comprise of:

1. Massively multiplayer online game or so called (MMO) which comprise both of subscription sales and game.
2. Pogo online game services subscription,
3. Allocated service represented by the sales of software games with online service components (i.e., "matchmaking" services).
4. Entitlements to content that are accessed through hosting services, and as example of it the social network games and mobile games that EA sports delivered.

Also, the company provides other services such as non-software licensing as well as advertising and these options are helping the EA Sports to gather some revenues beside the main products and services.³³

³¹ Annual Report of Electronic Arts 2012, page 122

³² Annual Report of Electronic Arts 2014, page 8

³³ Annual Report of Electronic Arts 2012, page 122

4.1 Product lines

Electronic Arts develops and publishes its products under four different Labels. These labels are:

4.1.1 EA Sports

Electronic Arts publishing many types of sports games under the label name of EA Sports. The brand of Electronic Arts that makes and develops sport video games is the most famous label .attracting a huge number of customers to the company, Most EA Sports' games are recognized by the year, as that most of games are released on a yearly basis. Nevertheless, as EA Sports is the leading purchaser of official licenses, it is not strange that in a short period of time many games of the same sport but with different licenses are released for example: FIFA 98 was promptly followed by World Cup 98 which are both regarding football sport, there are also some EA sports' games include Tiger Woods, PGA Golf Tour, NFL Madden, FIFA, and the UFC the game which were release in the market in 2014 ... etc.



Source: Google images

4.1.2 EA Play

It is another type of game brands produced by the Electronic Arts which is differing from EA games and EA sports. The company is focusing to developing and marketing for such games which are easily accessible and can be played by different age groups. The most common

example of EA Play label is the game ‘Sims’, the game which gave the opportunity to the company to sell more than 150 million copies since it was released in the year 2000.³⁴



(Source: Google images)

4.1.3 EA Games

This label type is home to the largest number of EA studios and development teams, which together create an expansive and diverse portfolio of games in such genres as action/adventure, role playing, racing, and first-person shooter. In addition to traditional packaged goods games, this label also develops massively-multiplayer online and Play-4-Free games which are persistent-state virtual worlds where thousands of other players can interact and play with each other. It allows players to communicate inside the game while enjoying the free play. Also, it provides the ability to purchase virtual goods from the game to have better environment and easy playing of the game.



(Source: Google images)

³⁴ Gaudiosi, J. “The Sims 4 and other upcoming games to watch” CNN News, September. 03, 2013. < <http://edition.cnn.com/2013/09/02/tech/gaming-gadgets/games-watch-gamescom/>.>

4.1.4 EA Interactive

The company develops the market of video games, publishes and distributes game software content and services that can be played by consumers, including video game consoles. EA Interactive represents EA's new platforms of business in the emerging areas of online and mobile games, the option which has opened huge aspects in front of the company. The market for mobile games addresses a significantly wider demographic than that of games traditionally played on consoles and PCs, which has low barriers to entry and is crowded with thousands of product offerings.

EA Mobile is the world's leading wireless entertainment publisher, including the number one application developer on Apple's App Store with award winning games such as Tetris, Scrabble, Bejeweled, The Sims, and Need for Speed. "Our mobile business delivered approximately 460 million USD in non-GAAP net revenue in the fiscal year, reaching more than 130 million of active users monthly."³⁵ And throughout pogo online service, the company provides many casual games such as cards and puzzle. In 2010 the company EA had around 1.6 million USD paying club pogo subscribers. And throughout the Playfish, EA offers free to play social games such as country story.³⁶



(Source: Google images)

³⁵ Annual Report of Electronic Arts 2014, page 2

³⁶ Annual Report of Electronic Arts 2010, page 7

5. Industry and markets

5.1 Industry overview

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. The industrial revolution helped to discover many technologies, many of these technologies devoted to the entertainment purposes. The technological progress help the video game industry to grows relatively fast. Nowadays, it's very hard to visualize any home without playing device of video games.

The value chain of the video games consists of five groups connected with each other according to Ben Sawyer:

- 1- Capital and publisher group: the main objective for them is to create and develop new types of games (titles)
- 2- The group of producers and tools: they represent by the people who have the skills to develop and design
- 3- The distribution group: the group which involves the distribution of the game worldwide using different direct and indirect channels.
- 4- Hardware and software: includes the internet and the virtual machine as well as software and social networks.
- 5- Users: the people who play the games or so called gamers.

The industry of entertainment consists of several companies competing with each other in the market to increase the sales and gain better revenues through the time. The most popular developers of video games over the world are: Electronic Arts, Sony computer entertainment, Activision Blizzard, Take-Tow Interactive. Also there are many other companies considered as small and medium who compete with the biggest companies mentioned.³⁷

For many years the Electronic Arts was leading the industry with stable revenues and great brand image. Company's main competitor, Activision Blizzard, in the past years was able to take

³⁷ 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.

the position from the company for few years by releasing couple of new games, of course that was applied after the merger in 2008. The company achieved the position which they were planning to take in the market, after selling 3,3 million copies across the world of Warcraft in one day.³⁸

The EA studied the situation which they were in and they decided to use more cost efficient approach to slow down the competitors' rising. And that propels the EA to eliminate some titles of games and to focus in the most developed and favored ones by customers.

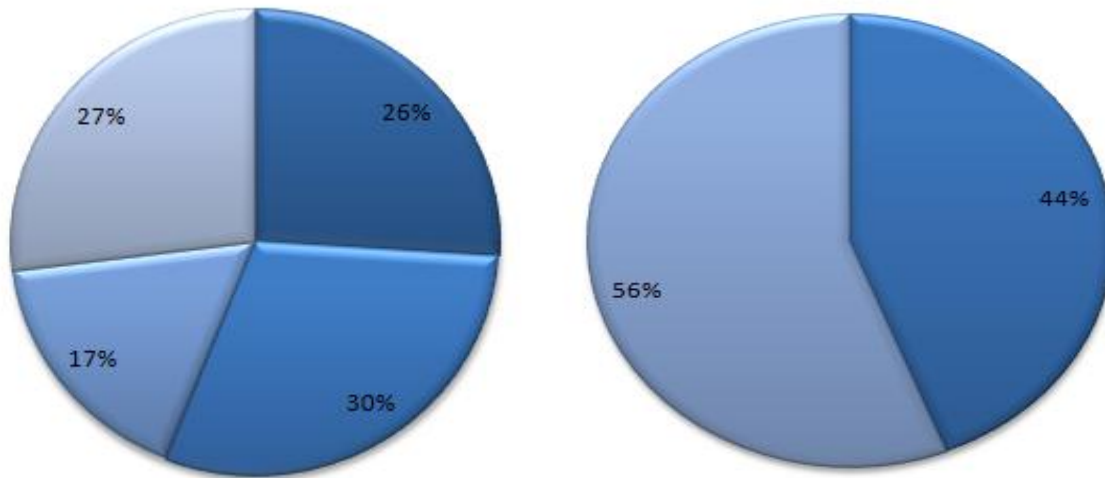
5.2 Industry statistics

Since the establishment of the industries and the attraction of the people to the entertainment playing games, the industry enjoyed a significant interest by its customers. Many studies and research have taken up about the industry. Here we will focus on American households; the studies ensure that the popularity of video games is increasing. There are many factors linked with playing the video games as there are age groups and gender. Given the fact that 42% of the Americans are playing video games and four out of five people are purchasing either console or personal computer using it to play games.

The graphs below show the main information about the industry in 2015, such as the average age group and the genders of the gamers in the U.S.

³⁸ BBC News."World of Warcraft Cataclysm takes PC sales crown". BBC News December 14. 2010.<
<http://www.bbc.com/news/technology-11991041> >

Graph No. 3 & 4: Games Facts Age and Gender³⁹



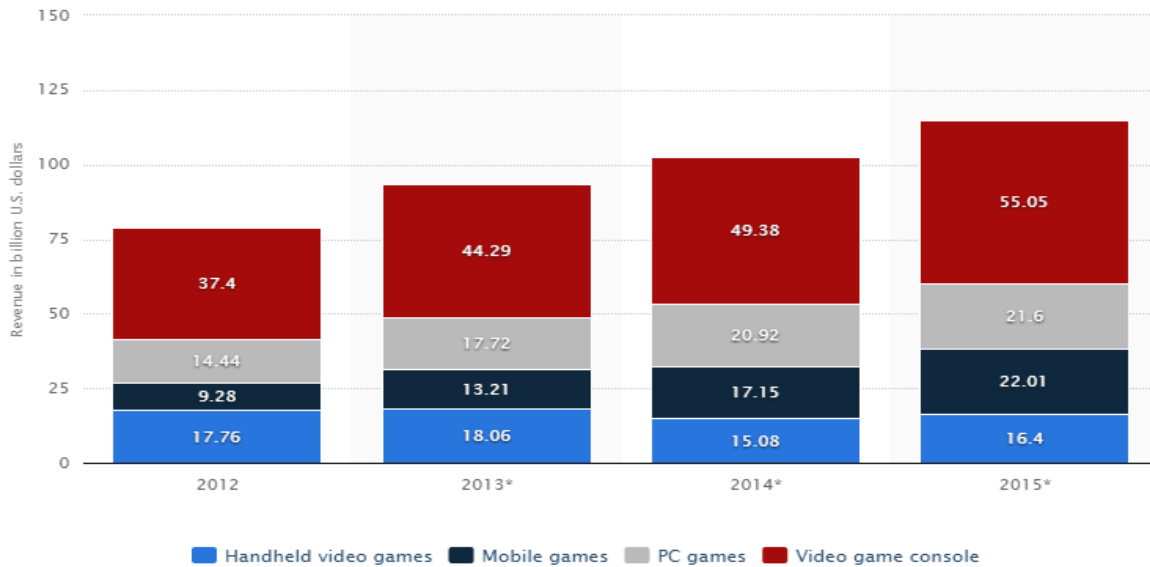
Source: the data taken from the entertainment software association

Graph No.3 shows that the average age of gamers is 35 years old and 26% of the players in the United State are under 18 years old, while 30% of the gamers are ranging between 18-35 years old, 17% of the players are ranging between 36-49 years old and the rest is representing players from fifty years old and up.

Graph No.4 the right side shows the gamers' gender the highest percentage is for the male and the forty-four is for the female. However the European gamers have lower percentages comparing with the Americans. But anyway that does not mean the industry of video games in Europe is failing down, it is still one of the best markets of the industry over the world. Many researchers predicted more developing and prosperity for video games and this prediction comes from the high numbers of revenues the companies gaining every year, as shown in the graph below.

³⁹ ESA. "Essential Facts on the Video Game Industry". 2015. < <https://blog.innogames.com/esas-2015-essential-facts-on-the-video-game-industry> >

Graph No.5: Video games revenue worldwide from 2012 to 2015 (in billion USD)⁴⁰



Source: Data taken from statista Video games revenue worldwide from 2012 -2015

The graph above shows the revenues generated from the video game industry worldwide by source which includes mobile games, console games, personal computer games. And the graph shows that the console games have the biggest amount of revenue among other types of games. And this was one of the Priorities of EA focusing on, the company was producing mainly games for consoles platforms, distributes the product in packaged good before the changing transition strategy and focusing on the distribution online.

The biggest part of the company’s revenue comes from selling games for the consoles and personal computers, in both formats. The chief financial officer (CFO) of the Electronic Arts in 2015 said: “The ever growing popularity of mobile gaming is actually not a threat to traditional consoles and in fact it might benefit the consoles—Xbox One and the PlayStation 4—in the long term.”⁴¹

⁴⁰ statista.”Video games revenue worldwide from 2012 to 2015, by source”.< <http://www.statista.com/statistics/278181/video-games-revenue-worldwide-from-2012-to-2015-by-source/>>

⁴¹ Market realist.”Electronic Arts stock benefits from innovation and sound strategy”.<<http://marketrealist.com/2015/03/electronic-arts-stock-benefits-innovation-sound-strategy/>>

5.3 Markets (geographical presence)

The EA is a global company, the wide market drive the company to compete internationally. The EA market consists of three main geographic parts the American, European, and Asian markets. Increasing the technology level drive the companies to compete and reach the highest position in the markets. And that push the companies to go through market risks which are represented by changing in foreign currency exchange rates, interest rates and market prices.

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 as it is shown in the following table.

Table No.2: the net revenue of the EA by Geography (in Millions USD)

	2014	2013	2012
North America	1,510	1,701	1,991
Europe	2,065	1,867	1.898
Asia		229	254

Note: the Data in the table is taken from the annual report of the Electronic Arts 2014, 2013, pages 36, 37

The U.S market is the largest market for the Electronic arts, the number of revenues coming from the north America as it is in the year 2014 the net revenues was 1,510 billion USD and it is relatively high comparing with other markets of the company, internationally (Europe and Asia) reached 2,065 billion USD. That referred to the studies we mentioned already that 50 % of the American population are playing video games, and forty-tow percentage of them are regular gamer, there are many factors behind that, the life style and communication through the game which the biggest company provides pushing people to invest the free time by entertainment as well as making some conversation through the game with friends. Video games in America is more famous than ever, the United States entertainment software association (ESA) published this year a big number of players of the video games and the number was 150 million players. Entertainment software association stated that the number of teenagers was not

that high comparing to the average of the people who plays it was 35 years old and that's because parents they see it as a good way of connection between them and their children. The CEO of the entertainment software association Mr. Michael D. Gallagher said: "Video games provide a social setting where family and friends come together to connect, learn and have fun."⁴²

Another fact that makes North America's market as a number one for the company is the increasing numbers of owners of the digital devices (consoles and personal computers). The statistics mentioned that the money spent by the customers to purchase games and hardware of this games reached 22.41 Billion USD in 2014.⁴³

⁴² The Entertainment Software Association "industry facts ".seagate technology.2015.<<http://blog.seagate.com/consumer/80-percent-of-americans-love-their-video-games/>>

⁴³ The Entertainment Software Association "industry facts ".seagate technology.2015.<<http://blog.seagate.com/consumer/80-percent-of-americans-love-their-video-games/>>

6. Competitors

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. The competitors of the company are different in the size and in the share of market, some are very small companies with limited technology and fund, and some are very large with greater resources than EA Company and they are operating worldwide. The companies of video games and other huge media companies are competing to procure the license agreements which are encompassed in some products of the company. EA's main competitor in the market is Activision Blizzard and the Take-Two 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 company which publishing this game call Rock Star but the company developing and distributing games under the Take-Two Interactive.

According to the information released in the company's annual reports, the company competes in many game types with the companies mentioned before or with other companies in the industry.⁴⁴

6.1 Competition in Games for Console Devices

Company's main and direct competitors are: Sony, Microsoft and Nintendo, each of which develop, as that each of the mentioned above publishes its own device and software for their own particular console platforms. Not only those competitors, but it competes with a bulk of companies which are definitely like EA; that means that they are developing and publishing video games which can operate on different platforms such as consoles and on personal computers and handheld game players. Activision Blizzard is lying on the top of competitors, followed by Take-Two Interactive, THQ, and Ubisoft. Disney which is known as diversified media company has a part in publishing software games.⁴⁵

⁴⁴ Hoover's Inc., "a Dun & Bradstreet Company puts you on the fastest path to business". 2015.
< http://www.hoovers.com/company-information/cs/competition.Electronic_Arts_Inc.b669b36364f2b99d.html>

⁴⁵ Annual Report of Electronic Arts 2014, page 6

6.2 Competition in Games for Mobile Devices

Mobile games' market place is described by repeated product introductions, speedily arising new mobile platforms, new technologies, and new mobile applications frontals. As the permeation of mobile devices that characterize fully-functional browsers and multilateral gaming qualifications keeps on deepen, the indigence for applications continues to persist and there are more mobile application frontals through which promoters can come with products. Nowadays, especially after the launching of the Smartphone devices, applications downloaded on mobile phones are offered by a spacious range of competitors like Capcom Mobile, DeNA, Gameloft, Glu Mobile, Gree, Rovio, Zynga, beside hundreds of smaller size companies.

EA anticipates new comers to enter the market. Also, it expects the current mentioned competitors to appropriate more resources to develop their base in the meant industry. As a result, the company expects much intensive and aversive competition environment in the mobile entertainment market.⁴⁶

6.3 Competition in Online Gaming Services

The online games are Internet-based games; amusement market is featured by iterated product introductions, new as well as promoting entire business models and new platforms. The company (EA) is anticipating new comers to penetrate the market, and existed competitors to specify more resources in order to better of their services.

As a result, the company expects much intensive and stronger competition environment in the online gaming services. Company's competitors in the online games market conjoining massive media companies, classic video game publishing companies, and specialized companies in online games sector including social networking game companies.⁴⁷

⁴⁶ Burstein, D. "3 types of competitors to keep an eye on". Marketing Sherpa. 18.May.2012.
<<http://sherpablog.marketingsherpa.com/research-and-measurement/competitive-analysis-tools/>>

⁴⁷ -Annual Report of Electronic Arts 2012, page 7

7. EA's Strategies

Electronic Art's strategies are usually taken by the company's CEO, and from time to time the company is changing its strategies to keep up in the market and compete with other companies in the industry of video games. In 2010, while the completion in the market was in the highest degree, and the impact of the financial crises started to be seen in all industries, Electronic Art's CEO announced that they are going to follow restructuring plan which is summarized by: "In fiscal year 2010, we announced details of a restructuring plan to narrow our product portfolio to provide greater focus on titles with higher margin opportunities. Under this plan, we reduced our workforce by approximately 1,200 employees and have been (1) consolidating or closing various facilities, (2) eliminating certain titles, and (3) incurring IT and other costs to assist in reorganizing certain activities," as the CEO mentioned in the annual report of 2010.⁴⁸ However, the majority of these actions were completed by March 31, 2010.

From the above statement the company freezes some titles of game they are producing to focus the resources and the performance of the employees in certain titles which Electronic Arts is famous with, and it has the popularity among customers. The company continuing their restructuring and improvements in 2011 when the new plan was stated in the annual report of the Electronic Arts as illustrated below.

"In fiscal year 2011, we announced a plan focused on the restructuring of certain licensing and developer agreements in an effort to improve the long-term profitability of our packaged goods business. Under this plan, we amended certain licensing and developer agreements. To a much lesser extent, as part of this restructuring we have had workforce reductions and facilities closures through March 31, 2011."⁴⁹ Substantially all of these exit activities were completed by the end of March 2011.

That means that the company started to care and paying attention to the one of the strengthen points which, they have License of intellectual property which we will speak about it in details at the section of SWOT analysis. In 2012 and 2013, company's plan where focused on the digital transformation.

⁴⁸ Electronic Arts Annual Report 2010, page 5

⁴⁹ Electronic Arts Annual Report 2011, page 5

“On May 7, 2012, we announced a restructuring plan to align our cost structure with our ongoing digital transformation. Under this plan, we reduced our workforce, terminated licensing agreements, and consolidated or closed various facilities.”⁵⁰ As of March 31, 2013, EA have completed all actions under this restructuring plan.

These restructuring plans started to show the results in 2014 when the cash of operating activity increased dramatically to reach 388 million USD and that due to increase the net revenue and decrease the marketing and sales.

7.1 Current strategy

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.⁵¹

Keep producing the video games for the consoles (PS3, PS4, X Box one), personal computer games as well as mobile and tablet games which have a significant wide affect on the people, it was one of the technologies drive the company to improve the revenue and sales numbers. Supporting of the License of intellectual property which so called (brand) was the cornerstone for the company, this transition strategy was the reason behind leading the market for several years.

Electronic Arts was and still publishing and distributing games for consoles and personal computers but with limited labels and with better design and performance. The strategy of the EA of publishing games mainly under the EA sports title is the ability of reiterate, the American football NFL, FIFA, and the UFC are the most production example of the Electronic Arts. These games became successful for many reasons:

- Family game
- Unfinished games
- We can add-on by purchasing some content for the game online or in retails.
- Plenty of sport event over the world (world cup and Euro-champion....etc)

⁵⁰ Electronic Arts Annual report 2011

⁵¹ Market realist.”Electronic Arts stock benefits from innovation and sound strategy”.

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

EA has published other games with different titles such as Medal of Honor, but not as the reputation of the sport games. The interests in the industry of video games are increasing slightly every year bearing in mind that number of gamers is mounting. The EA mobile plays significant role and allowing the gamers to communicate with friends; the company opened a huge opportunity to let the gamers play their favorite play through the mobile. EA expected more combination between the console devices and Smartphones.

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".⁵²

Electronic Arts provides free games to be downloaded and installed in the devices. However, it's still profitable to the company because this games consist of (virtual goods) players have to buy in real money to have easier role to play and enjoy the time while playing the game. This feature exists mostly in online games such as Silkroad, this game is published and developed by the company Joymax, gamers can have the game for free in the website of the company and indeed players can enjoy the game for free as well, but the problem facing the players the hard tactic of passing the level without buying the premium goods which makes the game easier and more enjoyable. EA follows the same strategy after the acquisition of the Playfish in 2009, and after releasing the massive multiple online games Star wars: the old republic. The profit of the company generating from the player who prefer the easy way of playing the game but still the results of revenues did not reach the satisfaction of the team management nor the investors.

⁵² Electronic arts' CEO on transforming the < <http://www.fastcompany.com/3038121/innovation-agents/electronic-arts-ceo-on-transforming-the-worst-company-in-the-us>>.



In 2012 and after releasing the new MMO game, the COO of the Electronic Arts mentioned during an interview with CNBC: “This premium trend — bringing more and more people in to play games, knocking down the barrier in price — is an important part of our growth strategy.”⁵³

The company was hoping that game players who download the game for free will help the company to generate profits by purchasing virtual goods through the game over time. This optimism of the COO of the company comes from the sundry rang of the titles the company provides as well as the brand name that many customers trust.

7.2 Supplementary strategies

Beside the transition strategy Electronic Arts applied another type of strategy which it represents by the defense strategy to maintain their product in the market. After the reconstructed plan the company has take in 2010 by eliminating certain titles that drive the EA to focus in the other titles to have the ability to create better graphics and more add-content the EA expand the sport label to include the new game UFC in order to protect EA sports from the competitor who would think to take the right of publishing such a game. And to be the official presenter of video game for the premier league of English, which the most recognized and famous league of soccer, EA has signed the contract deal. The diversification strategy was also included between the strategies of the Electronic Arts in 2014 by releasing 11 new title for console and personal computers, and 15 new title gamers can download digitally.⁵⁴ The CEO’s strategies were based on the vision of correlation and cohesion between the administrations and work as a single organization.

⁵³ Bronstring, M.” What are adventure games?”. about adventure games. February 12, 2012.<
<http://www.adventuregamers.com/articles/view/17547>>

⁵⁴Peterson.S. “EA: Console transition to "determine market leadership for rest of decade". May 8, 2013.<<http://www.gamesindustry.biz/articles/2013-05-08-ea-transition-is-our-friend> >

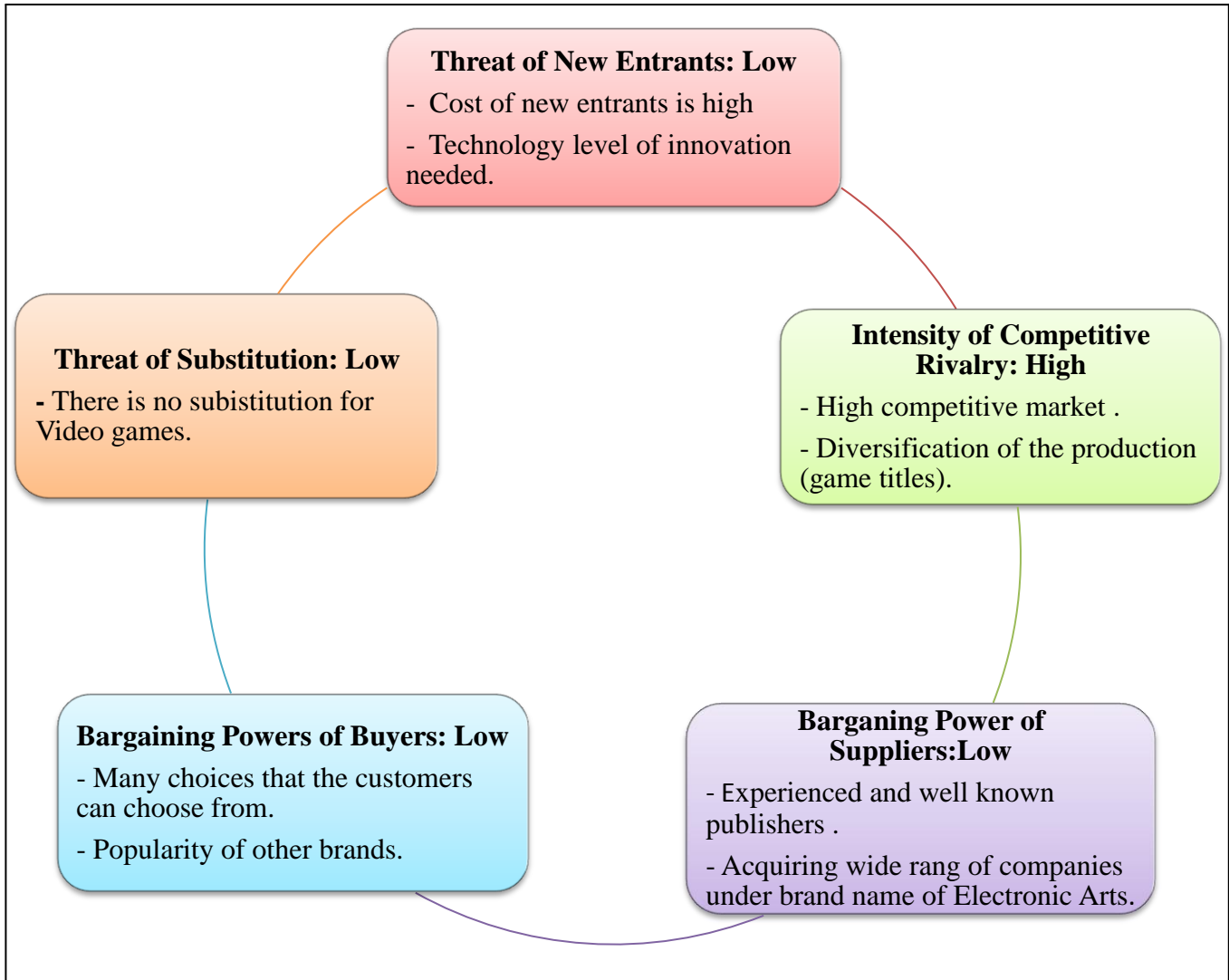
Eventually, the strategy of the company did not succeed but partially did some success. In 2014, the net revenues of the company decreased by 222 million USD compared with year 2013, and the decreasing caused by sales regression of some titles such as Mass effect, Medal of Honor, and the Madden NFL, as the customer didn't like them. However, the company was able to gain some revenues, and recover the losses from other titles such as Battlefield and SimCity.⁵⁵

⁵⁵ Electronic Arts Annual Report 2014, page 36

8. Porter's Five Force

Diagram

Porter's Five Forces/ Electronic Arts (EA)



The competition forces cannot be the same in all industries. The porter's five forces is a tool used to describe the main competition in each company in the industry and from this forces, we will find the level of competition in the industry of the Video games.

One of the most significant external analysis is the Porter's five forces, it's an analytical framework used in the evaluation of strategic business and markets. This can be used as a framework for analysis of the competitive advantages and mutual relationship with the market. This tool compares the works environment the internal with external on a broader scope.

This analysis is based on that, if one of these forces has changed the organization must re-evaluate their performance and market related work. Not only so, but also used in the simulation change these five forces and may result in the labor market and the surrounding area of the market. This method is a smart way to plan against the labor market and the risk of a sudden change in the flow of work.

The EA business as other kinds of businesses, its environment is affected by many factors some are external and some are internal factors.

8.1 Intensity of competitive rivalry: High

The intensity of competitive rivalry is the most important force among porter's forces. The main goal of this force is always based on the jostling away and protect the current buyers of the company not to lose them in the market, with this force companies of the industry usually keep the entities in alert. The market is becoming narrow and the rival companies are fighting with each other to win the customers in the market and take them over from other companies.

The industry of digital games is not varied from other industries; the competency level in the industry is relatively high. Companies are trying their best to make special sales promotion as well as publishing a huge advertisement, and producing wide range of labels, developing some new channels to win over customer. When the competition of companies is in global aspect such as in Europe, and in the US, then the rivals have to apply various ways such as special promotion sales, publishing dates, and heavy advertising in order to attract and engage the customer in to their products.

The industry of the Video games relying on the invention of new idea and turns it to be new types of games, and on the diversification, while the price of the product not playing a significant part. The newest game produced by a company and released in Czech Republic would cost between 50 - 62 USD. Surely, we have to put in to our consideration which console we have and purchase the game upon that.

Innovation and diversification is what induce the competitors. In the last three decades, companies put in the market a lot of efforts and experience to improve their performance and to

come up with new technologies and steps that make their product tends to reality, to increase the sales of the organization and let the customers enjoy playing.

Electronic Arts was enjoying the competitive advantage over competitors since its establishment in 1982. EA became a leader of the market and recorded highest level of revenues among its competitors until 2008. Since the beginning upon today, the management of the company focused on producing different types of games, and on developing the game with the experience of the company year by year in the market. The NFL Madden is a game which lies under the EA sports license, the first version was released in 1990.

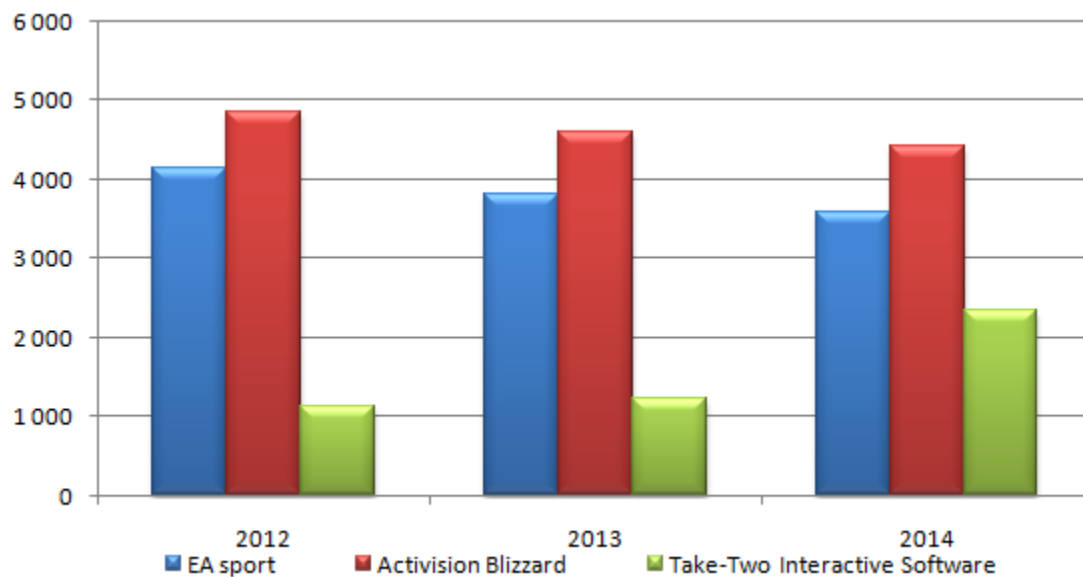
Despite that, the game still keeps its popularity until now, and in 2007 the game was one of the top-ten selling games; and in 2011 was one of the best-ten games.

Electronic Arts image of wider diversification of electronic games among competitors have been decreased because of the financial crisis which have attacked the international economy in 2008, given the fact that, the crises is not directly connected to the industry of video games but it affected the whole industries over the world. Due to that forced the company was compelled to close some production titles and focus more on the experience and performance of the designers, managers, and resources of the company in the most successful games of the company. This has led the company to narrow the diversity of games among the competitors and EA in the digital games' market.

EA most of sales are through creating games for consoles, the management of the EA had wrong prediction about the console production winner. Under the privilege expectation of the company that the PlayStation 3 is the winner in the war of consoles, hence the company was focused on putting a lot of their recourses to create and develop the video games of PS3, the annual reports which were released show up evidently that EA's expectation wasn't true, as that the winner of consoles war was Nintendo which achieved a higher number of sales.

EA revenues were less compared to its main competitors in the market Activision Blizzard, and Take-Two Interactive. Note that Sony is one of the important companies in the market but the availability of the data was the problem as that Sony is private held company, so no enough information, and if they were enough, then the problem is the access to them.

Graph No.6: Electronic Arts, Inc. Activision Blizzard, Inc. Take-Two Interactive Software Inc. Revenues (in Million USD)⁵⁶



Note: the data in the graph taken from yahoo finance, income statement, the information related to Electronic Arts, Activision Blizzard and take-toe interactive.^{57 58}

As mentioned before, the Electronic Arts was leading the market for many years but since 2009 they started losing money comparing with the competitors in the market, firstly because of impacts of the financial crises, secondly and the main reason was the moving of the company into digital goods market, where they will furnish their customers with social gaming expertise.

This move has taken longer than expected and afforded larger than budgeted costs. Added to that, the Activision Blizzard were 2 companies in 2007 and in 2008 the merger between these companies was proceed successfully to became to the market as one strong company, each one of these two companies has its own management and strategies.

According to the financial statement of the EA which released in 31 March 2015, the revenues of the company were 4,515 billion USD in the fiscal year 2015, which means a dramatic increase in the revenues of the company compared to the fiscal year 2014.

⁵⁶ <<http://finance.yahoo.com/q/is?s=EA+Income+Statement&annual>, <http://finance.yahoo.com/q/is?s=ATVI+Income+Statement&annual>, <http://finance.yahoo.com/q/is?s=TTWO+Income+Statement&annual>>.

⁵⁷ Activision Blizzard income statements available at: <<http://finance.yahoo.com/q/is?s=ATVI+Income+Statement&annual>>

⁵⁸ take- Two Interactiva income statements available at: <<http://finance.yahoo.com/q/is?s=TTWO+Income+Statement&annual>>

Electronic Arts show up the growth in the number of internet users and their concerns in games through the social media, that was the base of the decision to move into the digital goods market. Many companies are producing digital games but few of them only who are proceeding successfully. EA found a great solution for this point and the management of the company saw that the acquisition of a company is the best option. Indeed they started doing that from year 2007 when the company acquired the VG holding Corp., and acquiring the social network game developer ‘Playfish’, in 2009 became the creation of the extensive resources for the company.⁵⁹ The acquisition plan of the EA still applied to reach many other companies for designing and graphics to assure the best performance of the company in the market.

In 2014, the revenues of the EA sports’ label became dramatically high according to the annual report released, FIFA’s unit sales in 2010 was 6.4 million units while the number was more than double in 2014 to be 18.7 million units sold, and that Attribute to the world cup event (FIFA world cup) and the Euro Cup in 2016. So, the company also expected a high sales of EA sports label.⁶⁰

However, it has to be taken into account that the dates of financial years are different from company to another, as that the EA sports fiscal year ends in March, 31 comparing with the rest two companies which are ending on December, 31. In 2008 the company ‘Activision’ has acquired Blizzard entertainment company, the developer of a large online game World of Warcraft, As a result of this merger the Activision Blizzard Inc has been created, and started to be one of the rivals of EA in the market of video games because of the diversification of games they are producing.⁶¹

From 2009 to 2013 and after publishing the (world of war-craft, and Call of duty 4), the Activision Blizzard became the leader of the market and exceeded by that the company EA, that make a lot of pressure on the management team and make the EA be in challenge because Activision took over customers’ loyalty and the company built a bigger and stronger customer

⁵⁹ <<http://www.theguardian.com/technology/2009/nov/09/playfish-ea>>

⁶⁰ Trefis.” Electronic Arts: Why FIFA Sales Growth Will Probably Slow Down This Year”.Forbes. September 23.2015. <<http://www.forbes.com/sites/greatspeculations/2015/09/23/electronic-arts-why-fifa-sales-growth-will-probably-slow-down-this-year/>>

⁶¹ Alexander. S .”EU green lights Activision-Vivendi merger”.engadget. April 16.2008.<<http://www.engadget.com/2008/04/16/eu-greenlights-activision-vivendi-merger/>>

base.⁶² It is worthy to mention that, pressure created by this phenomenon considered as high because “stealing away” loyal customers in the video game industry needs to big efforts to be achieved.

EA’s management team has admit the problems they face from unification of Activision and Blizzard, after 3 years of worries the EA was able to come up with a game that can compete their main rival in the market, they lunched the large scale massively Multiplayer online game which called ‘Star wars: the old republic’, which was released in 2012, and by this type of games the EA considered as complete company of video games. And we can see in the graph above that the Activision Blizzard annual revenues from 2012 are decreasing slightly, one of the reasons was the entrance of EA to the field of MMO. Add to the innovation and the creation of new games going slowly. And from 2012, EA started to create pressure to other companies in the market. The EA had the instrumentation of heavy advertisement and ratification strategies.

Providing their customers with real-life analogue of their preferable athletes through multiple online tournaments and various events the company has conducted, fans have the option of winning abundant accords, including monetary awards, and travels to their favorite team’s tournaments.

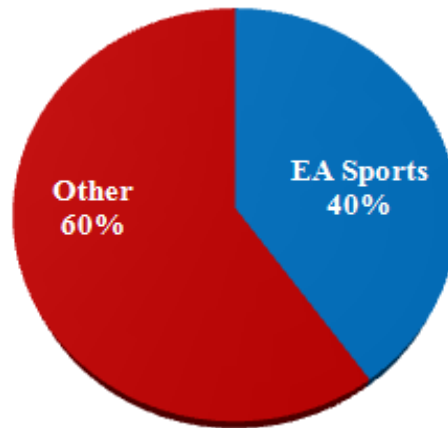
In this industry the situation is similar to other industries as that customers are playing crucial role behind the succession achieved, which supposes to be embedded by innovation touches, catching up with the trend is compulsory. Added to that, the companies are enforced to keep the diversification of their business portfolios, and to be innovated in order not to lose loyal customers and that also enables the company to stick over new customers. For instance, if the company is going to release a game every two or three years, that would not be an efficient to bring customers, adverts about the new company’s publishes a year before the action would help positively, and create dramatic expectation which are getting back for the publishing company.

There is uninterrupted battle and the current stress showing up among rival companies is a process for getting over the customer loyalty, as it need to tremendous efforts and is not easy to be gotten, also it is hard to grapple away from competitors.

⁶² Activision Blizzard Annual Report 2012

The graph below describes the share of video games in the United States and Europe in 2014. The rest of companies share in market were not mentioned in the annual reports. As it shown, company's share was 40% which is representing a huge number of revenues the company gained in 2014. In 2009, according to the annual report of Activision Blizzard they were the leader of the market with share of 41% of the U.S market.

Graph No.7:U.S and Europe market share of Video games in 2014⁶³



(Source: annual reports 2014)

8.2 Threat of new entrants: Low

The video games industry is a relatively new. But in few decades the industry has been developed and grown transcendently. The majority of this industry was held by Activision and Electronic Arts. Both companies were big competitors to other companies. They witnessed all changes and innovation in the industry, and both of the mentioned companies walked a long road over three decades to reach the position and experience which they own by the moment.

During past time they tried and still trying to built brand awareness and strong relationship with the customer. The threat of new entrants is low in this industry because the cost of new entry is high. On the other hand, to enter the market strongly the new competitor should come with something that is truly innovative and not existing in the market yet. The new competitor should be staunch and knows that making strong brand in the market would take a long time. The new competitors have to come up with new technology of games designs.

⁶³ Electronic Art's annual report 2014, page 30

The entrants of new company in the industry of games will need a high investment in technology and marketing as well as huge amount of capital to be able to rival with the companies exist already in the market. A Company can use the opportunity of publishing and distributing a game throughout the electronic network but that will become as a legal competition, otherwise the company has to cross all the barriers we mentioned to enter the industry which not easy, it needs to make many researches and studies. The thing which ensures the threat of new entrants is low.

The most pertinent barriers of entry in the video game industry:

- *Customer loyalty*
- *High capital requirements for entry*
- *Highly competitive environment*
- *Brand Image*
- *Difficulties of building distributor/retailer network*

As long with the main barriers, there are many steps has to be taken by the company which has to be patient to the new competitors in the market, paying attention and studying the strength of the competitor to avoid losing customers loyalty in the industry.

Customer loyalty

The faithfulness of the customers is one of the main obstacles, which are facing the new entry of company in the industry. Players of digital games are used to play Video games for several years from a specific company and he/she became familiar with the option that company producing in the software of the game. The entrance of new company needs to enhance the background in order to create faithfulness of the customers. During the time company becomes trusted for the gamers and developing a strong base of loyalty, and that will put the company in front of greater obstacle which represented by the creation of brand awareness to powerful customers (high purchasing power). Nowadays, and due to the high level of the competition in the industry, the biggest companies are suffering from the loyalty of the customer, and that will lead the new companies in the market to have low demands product or to loss the completion in the market at all.

High capital requirements for entry

The industry of the video games requires significant investment in setting up and operating, the high capital is needed in order to build the loyalty between the company and the customers. The thing which requires a big marketing move, and huge advertising to rise the brand which will put the company in good position in the market and they will be able to rival the competitors. Generally, the capital requirements for new entry have a direct proportional relationship with the industry.

Highly competitive environment

Another obstacle facing the company is the competitive environment, or so called the market structure, it's considered as the area where the business is competing. To be stronger than company's rivals, the company should have a pioneer marketing plan. Meaning that rivalry is so high in the industry and as, mentioned they have built a vigorous loyalty with the customers, which makes it hard to the new entry in the industry to obtain good sales and gain great numbers of revenues.

Brand Image

Brand image is the current view of the customers about a brand. It can be defined as special tufts of organization within the minds of base customers of the company. The industry of video games also cares about how the gamers distinguish the product; brand image is a way to make the customers recognize the products in the markets. Many of the companies are spending yearly a huge quantities of money to develop the brand image as EA does, the company entered the industry with primary brand image but during their existence in the industry changed it many times to keep the brand awareness, however that cost the company to lose a huge amount of financial capital. New entrants in the video game industry have to study the brand image so hard because it is very important factor. EA has built a great brand image through the 32 years of existence in the market. Actually, the company knows that nowadays the customer tends to buy the brand image before the product.



(Source: Google images)

Difficulties of building distributor/retailer network

The barrier comes as the last obstacle for the new entrants. The biggest companies in the industry are global companies, they have many channels of distributing their products over the world, they use big advertising campaign before releasing a new product to catch the attention of the customers, and after releasing the new game EA, and Activision Blizzard have to use the most visible shelves to present their products on. The new entrants need to pass through all the barriers to get the respect from retailers. Strong competition in the distribution and publishing makes the step harder to new entrants.

8.3 Substitute products: Low

Substitution of the products concerns the main menace facing many industries over the world. The industry of digital games is far from the threats of substitution. The product can be substituted if there will be a time and cost differences, example of that when we are speaking about the flight tickets which now can be bought easily through internet and paid without losing time by going to the office, that led the companies to close many offices and substitute it by website that provide nonstop services to customers. The most industry is affected by this point is the industry of food.

The substitution of the video game is not exist, yet nothing is substituting the video games, may be the substitution of the product can be possible in the same industry that customers can change the label which they playing to another, for example substitute the EA Sport to EA game, or changing the type of game from the MMO to RTS. However we are still speaking about the video game and there is no real product that digital games can be substituted with.

8.4 Bargaining powers of suppliers: Low

Companies such as Electronic Arts and Activision blizzard are suppliers and developers of the games itself which customers are playing; companies have other suppliers who give substance to them. Although there are many developers, the Electronic Arts is the most important with long experiment in the industry of the video games by developing the game even from inside (internally).

While in the case of EA, the developers/the suppliers of the game have affect (bargaining power), because EA develops its games internally and the supplied substances are absolutely essential, thus, the bargaining power are just put pressure on the company more than the technical issues, in the phase where the dilemmas are solved after hours of negotiations held by the parties for the purpose of better business. For getting higher amount of revenues and higher level of recognition, the game developers are suppose to publish their games under a well-known publisher. Putting in mind that, approach of development is similar to movies business, which means that if the movie maker will put the work with a recognized company, the movie is more likely to be accepted and getting high revenues.

The other reason which is standing behind the low level of suppliers bargaining power is that, all the publishers who are highly experienced and experts are acquired by EA. There are signed and documented contracts next to relationships drawn between the games publishers and the developers which are tending to be friendly more than just business.

8.5 Bargaining powers of buyers: Low

The bargaining power of buyers is the strongest point of the porter's five forces, bargaining power of buyers refers to costumer ability to put pressure on the companies to create better and higher quality products, as well as improve the services they provide and lower the costs. The analysis of the industry is from the perspective of the sellers. EA using many distributing channels in the retailers such as Wal-Mart as well and using their own website to sell to customers and make some agreements with other game stores to sell the products of the EA, example the store of the PlayStation. These three types of distribution are the way how the company provides the games and services to the customers. "Our direct sales to Wal-Mart

Stores, Inc. did not exceed 10 percent of net revenues for the fiscal years 2014 and 2013.”⁶⁴ That means the company was focusing in the last years on the online way of distribution. The company stated that: “We sell our products to GameStop Corp. and Wal-Mart Stores, Inc. pursuant to numerous and frequent individual purchase orders, which contain delivery and pricing terms. There are no minimum sales or purchase commitments between us and either GameStop or Wal-Mart.”⁶⁵

Due to the mentioned above, buyers are not endowed with high power of bargaining more than the goods sold by the publishers which are vended based on the advanced relationships and trust built to customers by the company. Added to that, the price of new game published to the market is ranging between 49.99 USD - 59.99 USD which is long accepted price by both of the customer and the vender.

It is important to mention that the new releases of games can be found in the online stores such as Amazon, or in best-buy which specialized store for electronics, or physical stores such as Wal-mart, and EA’s online store which are all selling the good by the same price on the same time.

8.6 Porter’s five forces summary

The five forces of porter have 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.

⁶⁴ Electronic Arts Annual Report 2014, page 8

⁶⁵ Electronic Arts Annual Report 2014, page 8

Increasing the degree of the competency between the big companies in the industry, and the impact of the financial crises have made the new entrant to make their decision to not to enter the industry with such threat that Threaten the new companies.

Electronic Arts with the existence in market for more than three decades and with the experience they gain from performance and operation, they would not be afraid from the new entrants or the pressure of the brand image. EA Company has to focus in their weaknesses and try to improve it in order not to lose the position in the market the company did for many years. The company lost the leader position of the market in 2008 after the competitor release new MMO⁶⁶ game while in that time the EA management was focusing in other types of games and they did not study the industry well and they did not put in their mind the increment of the internet users potentially over the world and that should lead the company to innovate new type of game as the Activision Blizzard did. It was a main reason of losing the position OF EA in the market in 2009. However the share differences between the EA and the Activision in the market of U.S were not big. To return the EA in the position they were before 2008 the company release new game MMO in the end of fiscal year 2011 and the beginning of 2012 that resulted to increase the brand awareness and reach the loyalty of the customer.

⁶⁶ MMO is Massive Multiplayer online game

9. Financial analysis

The term financial analysis also known as financial statement analysis or accounting analysis; and it is considered as internal analysis access the stability, profitability to continue in business. The data used in this type of analysis usually picked from the income statement or the balance sheets of the organization. These reports provided usually to the management team as one of the foundation that help to take some decisions related to the business the company in.

9.1 Revenues (net sales) and profits

Graph No.8: Electronic Arts Net Revenues and Gross Profits (in Million USD)

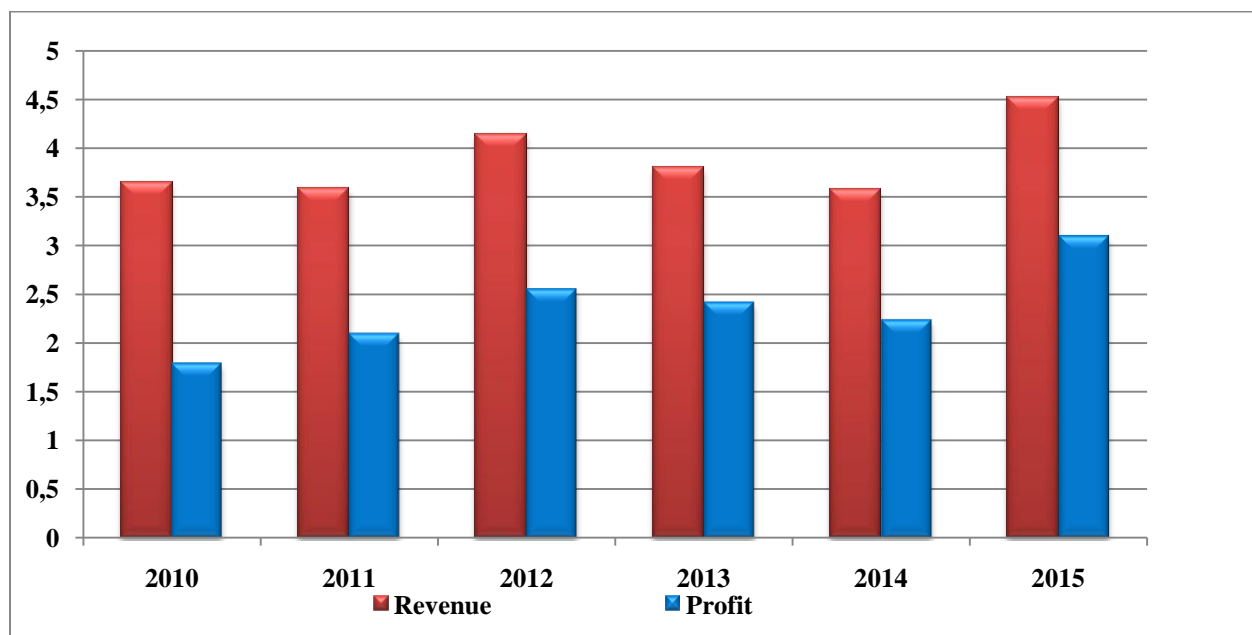


Table No.3: Electronic Arts Net revenues and Gross Profits (in Million USD)

Year	2010	2011	2012	2013	2014	2015
Revenue	3,654	3,589	4,143	3,797	3,575	4,515
Profit	1,788	2,090	2,545	2,409	2,228	3,086

Note: the data in the graph and the table is from the Annual report of Electronic Arts (2010-2015)

As shown in both of the graph and the table, Electronic Art's revenues and profits were relatively low in 2010, that was after losing the leader position of the market from the competitor new performance after releasing the new title and after the main competitor of the Electronic Arts became bigger.

Another fact that the Electronic Arts focused on producing the games of PlayStation 3 more than other consoles, while the biggest worldwide console sales were Nintendo. In 2012 the Electronic Arts executives decided to use more cost efficient approach to compete with their main competitors. Releasing the MMO game was the main reason behind the increment in the revenues and the profit in the fiscal year 2012 besides closing or eliminating some titles of games (less purchased games in the market). In the tow following years the reduction in the revenue of Electronic Arts was after turning the strategy of the company from traditional distribution of the games (packed goods) to focus more in the online way of the distribution beside the traditional way add to that the releasing of the new game UFC which didn't have much popularity among customers in 2015.⁶⁷ Company's revenues have increased dramatically, mainly because the Electronic Arts mobile title sales.

9.1.1 Revenue classification

Electronic Art's dividing the revenues they gain in the market in tow types of revenues:

Revenues from products sold which include the video games of console the company publish in both ways the packed goods or the online way (full game download), mobile games which does not need the support from the Electronic Arts represent beside the licensing the main product revenue of the company, next to some collections of games the company releasing in to market from time to time such as medal of honor. Also Electronic Arts providing some items supporting certain consoles such as the Active 1 and Active 2 for Wii device, allowing people to enjoy the personnel coach in front of the TV screen.

The second type is the revenues which the Electronic Arts gains from the services they provide to customers and its include the mobile games that need to the host and support to access the game and download some contents, as well as the Massively multiplayer online games subscription by purchasing premium time. The brand of electronic Arts is pushing many originations to make their advertisements through it; this category is also lying under the term of revenue from services. In fiscal years 2014 and 2015 the company gained about half of the revenues from the digital market. (*See appendix 4*)

⁶⁷ Note: the fiscal year of the Electronic Arts inc. ending in 31, March. Therefore the fiscal year 2015 refer to the data of year 2014

9.2 Stock price (market value)

Electronic Art's stock price declined to its lowest value during the fiscal year that ended 31 March, 2012. The decreasing in market price ascribes to Electronic Art's low market share and revenues - that resulted from the mismatch between the product and customer's needs - which influence investors to pay less for buying shares.

The following graph shows the fluctuation in the stock price of Electronic Arts in the past and recent years. It shows the increasing tendency in Electronic Art's stock price in the recent 5 years.

Graph No.9: Electronic Art's market value in the recent 5 years



Source: Electronic Arts Inc. NASDAQ. 5,Nov,2015. yahoo Finance⁶⁸

Note: stock price of EA compared to its main competitors is attached in the appendix (*See Appendix 5*)

⁶⁸ Electronic Arts Inc. NASDAQ. 5,Nov,2015. yahoo Finance

<

9.3 Net income, Earnings per share

Table No.4: Electronic Arts Earnings per share (for the fiscal years 2010-2014) in UDS

Year	2010	2011	2012	2013	2014
Net income per share (Basic)	-2,08	-0,84	0,23	0,32	0,03
Dividends per share	None	None	None	None	None

Source: (the Data of the Net income per share from the annual report 2014, page 26, and the data of dividends from annual report 2014, page 97)

As we can see from the table No.4 the Net income per share increased over time. It was (2,08) USD in 2010, when the company lost the leader of the industry of the video game. When the company faced noteworthy decreasing in revenues and profits in years (2010 and 2011), that led the net income per share (Basic) to negative side, but it increased over the time.

We can notice in the table that the Electronic Arts is not paying any dividends to the shares not in recent days either in the foreseeable future.

9.4 Financial ratio

❖ Liquidity ratios

Table No.5: Liquidity Ratios for Electronic Arts (for fiscal years 2010-2015)

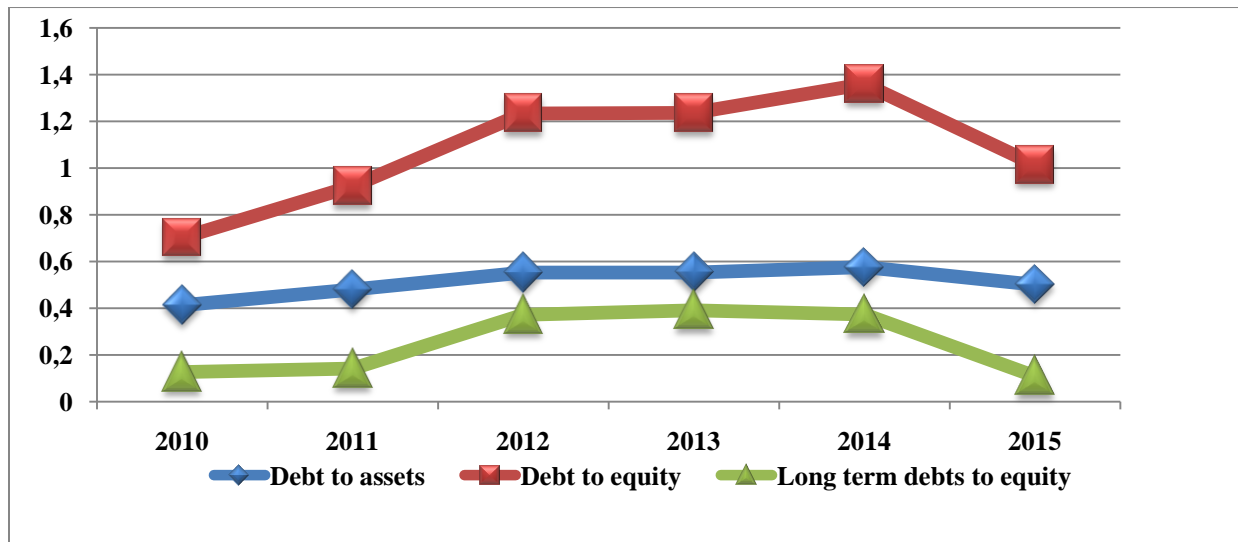
Year	2010	2011	2012	2013	2014	2015
Current Ratio	1,64	1,51	1,23	1,21	1,31	1,35
Quick Ratio	1,57	1,47	1,20	1,19	1,28	1,34

Source: Data taken from the annual reports of the Electronic Arts and the income statement of the company from yahoo finance available at :<http://finance.yahoo.com/q/bs?s=EA+Balance+Sheet&annual>

From the table up, we can notice that the ability of Electronic Arts to pay its short term liabilities and borrowing is getting less comparing with fiscal year 2010. However the liquidity ratios (Current ratio and quick ratio) are still greater than 1, which means that it has no significant effect on company's ability to pay short-term obligations.

❖ Leverage ratios

Graph No.10: Electronic Arts Leverage Ratios (for fiscal years 2010-2015)



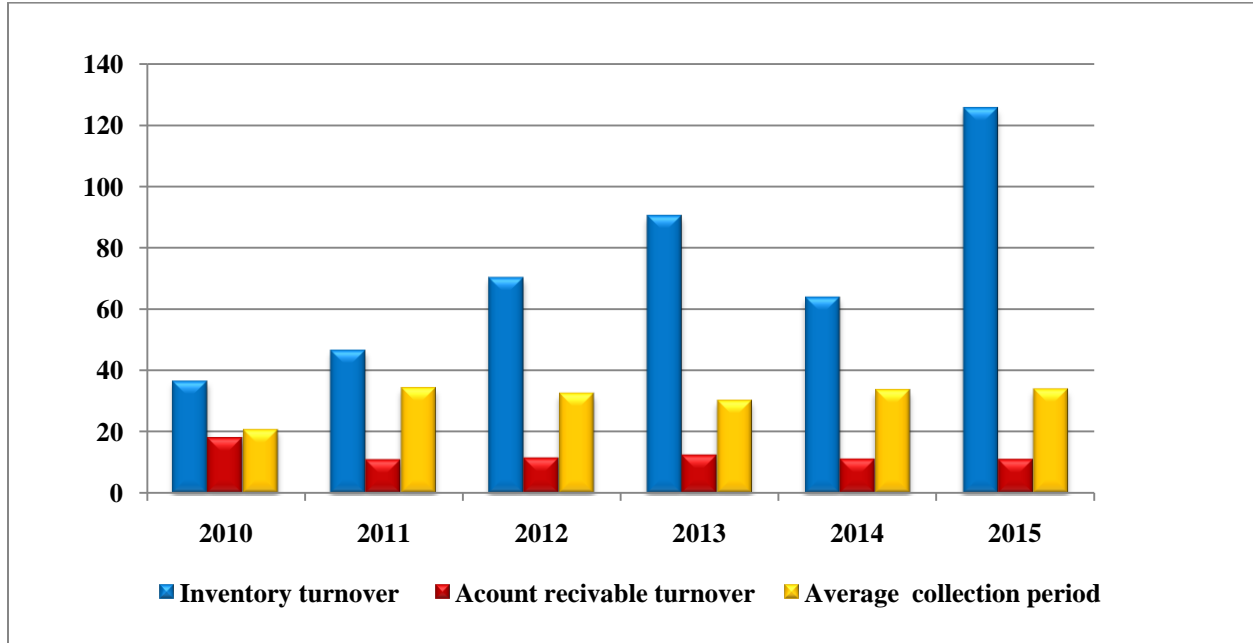
Note: data of this graph is taken from the annual report of Electronic Arts in each year

The Debt to Total Assets Ratio increasing partially every year, in year 2014 the Electronic Arts debt to total assets increased by 16% comparing with fiscal year 2010. However the debt to total assets is less than 1, it means that the Electronic Arts is going well and there is no real danger surrounding the company. The debt to equity ratio reached its highest range in year 2014 and that reflect the weak equity position of the Electronic Arts, the increasing in the debt equity means the holders equity have less money than the creditors of the Electronic Arts, but the company reduced the debt equity in year 2015 as the graph above illustrate. The long-term debt to equity has increased in the fiscal years 2012 and 2013 to reach approximately 40% of the equity as the graph No.7 shows.

❖ Activity ratios

They are important accounting ratios that used to change the various accounts from the balance sheet into cash or sales. Usually management team of the companies uses this type of accounting ratios to examine whether the organization is going well or not in the business.

Graph No.11: Electronic Arts Activity ratios (FY 2010-2015)



Note: the data used in this graph is from the annual report of each year

As the graph shows there is a noticeable increasing in the inventory turnover of Electronic Arts it's increased by 82% comparing to year 2010. The account receivable turnover were decreasing slightly but this didn't affect the Electronic arts, as well as the Average collection period the Electronic Arts in 2011 has slightly increase in the collection period, however the company maintain in the recent years as the graph shows, and this will help the company to not to have any troubles in the cash and sales.

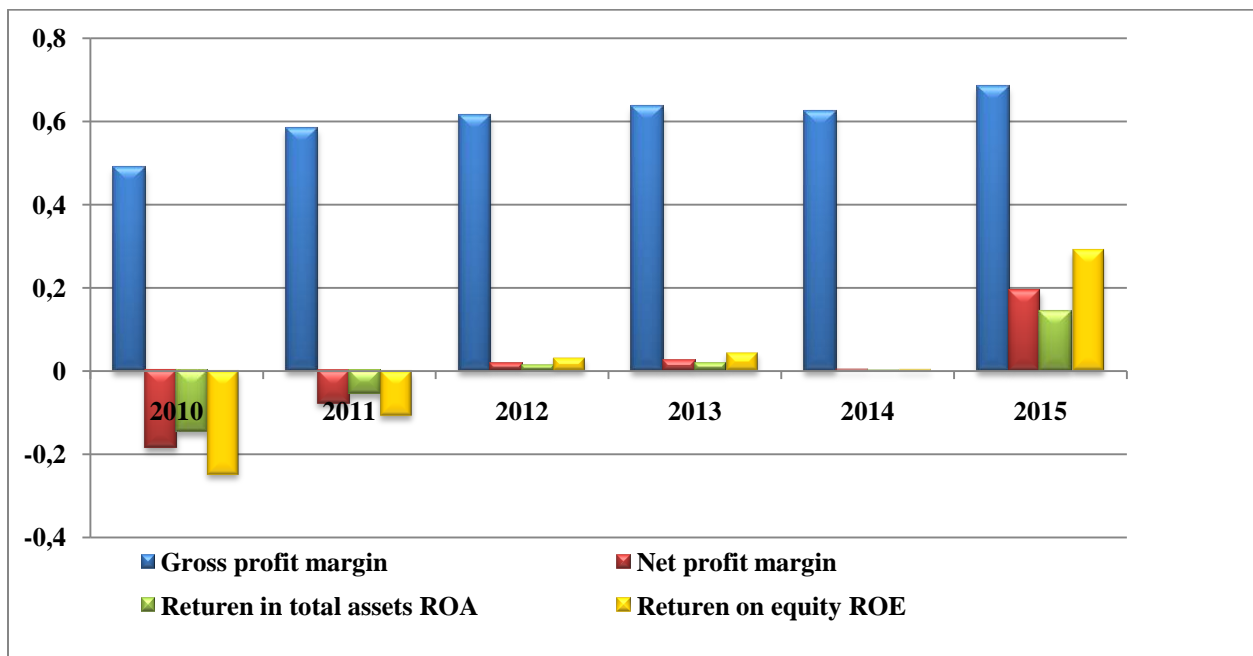
❖ Profitability ratios

Another significant type of ratios that business uses in order to utilize the assets and monitor the expenditures of the business to have better profits is the profitability ratios. In the graph below (Graph No.12), we can see the Electronic Arts gross profit margin is increasing relatively year after year, the company is generating profit which help the company to pay for the developing and cover the payment of the total Electronic Art's operation in the market and plan for the next step the higher is better. While the net profit margin of Electronic Arts is negative from the fiscal year 2010 this decreasing let the Electronic Arts loss the opportunity to interpret the earning to profits, but in 2012 the company started to shift the negative value of the net profit

margin to positive and that was a big tactic by Electronic Arts to increase 100% from 2010 to fiscal year 2015.

The return on assets (ROA) and the Return on equity (ROE) are represented as most important ratios, in 2010 the Electronic Arts wasn't able to create an income by the new investments and assets they had because of the negative values of the two indicators while the company's ROA and ROE have increased 100% in fiscal year 2015 as the graph number 9 illustrates.

Graph No.12: Electronic Arts Profitability ratios (FY 2010-2015)



Source: the data used in this graph is from the annual report of each year

9.5 Costs

The consolidated statements of operations shows that EA is trying to reduce the expenses of their operation in the market, such as reducing the research and development, market and sales as well as the restructuring and other charges. It was strategy goals that electronic arts wanted to reach in 2010, which was based on reduce the workforce of the company and eliminate some titles from electronic art's production and close some facilities. In the income statement of the fiscal years (2010 - 2015) we notice that there is a reduction in marketing expenses, the step

which would harm the company market share it's obviously known more marketing equal bigger market share.

9.6 Conclusion of financial analysis

The high degree of competition among the companies in the industry of Video games, and that influence the revenues and profit of the electronic arts to shift down in years the 2010 and 2011, but after the strategy of reducing the cost both the revenues and profit started to generating better in the fiscal year 2012, and that also affected positively on the net income per share (basic) to shift it up from year 2012.

Electronic Arts stock price has been increased from 2012 till now comparing with company's main competitors. Note Electronic Arts dividends are equal to zero the company is not paying any dividends. The reduction in the current ratio and the quick ratio from fiscal year 2010 reflect the possibility of paying the obligations of the Electronic Arts in the short-term.

However the debt to total assets ratio is increasing slightly from the fiscal year 2010, but Electronic Arts decreased it to 0.50 in the 2015. The debt to equity ratio increased from 2010 to reach its highest level in 2014 and that represent the weakness of the equity position of the company, its decreased in 2015 to 1.01 and that give the company an opportunity to generate income from the assets and investment.

The cost reduction and cutting the workforce in 2010 was the reason behind the increment of Electronic Arts revenues and profits. However reducing the marketing expenses might drive the company to loss a huge percentage of the market share over the world and ending with a real a problem which forces the company to face it in near future.⁶⁹

⁶⁹ Note: the formula of each used ratio and the financial statements of the fiscal years (2010-2015) are in the Appendix No.6.

10. SWOT analysis

SWOT analysis is a shortcut of Strengths, Weaknesses, Opportunities and Threats. This analysis is showing up company's major strong and weak aspects which are internal factors. Also, it gives prudence about possible consequences of the company, which in turn could be computed as a strength or weakness respectively.

Since that this analysis is important, the author applied it to know EA's strengths and weakness points; and to see what are the opportunities and the threats in the industry. This is in order to know the actions that should be taken in account to stay in the market with strong position.



➤ Strengths

1. Allocation of video games internationally

Electronic Arts has a large distribution network around more than 35 countries over the world, beside the availability of its own online retailing. Company's distribution covers all continents; it helps to increase the popularity of the EA worldwide. Also, its great opportunity for EA to take the competitive advantage over its competitors and that will lead to increase company's sales ultimately.

2. Sundry labels' domain of video games

As mentioned before, EA is one of the giant developers of video game; EA's long experience in the market of video games has established great brand awareness, the thing that let many customers to trust the company and prefer it than other companies.

Through the time, EA created many labels which are showing a wide range of games that was one of the reasons which let the company to have the capability of leading the market. The company support many platforms such as PlayStation 3, Microsoft Xbox 360 and Nintendo Wii, beside the PlayStation portable (PSP), Apple iPod ... etc.

3. Mobile games

The company also develops and distributes games for mobile and tablets. The EA achieved a great goal from this feature, through attracting and reaching a wider segment of customers. In 2014 the mobile business gained a huge number of net revenues and entices a big number of users, the EA mobile section has many studios over the word and the majority of them are located in the United States, Australia, and China, the places which people are passionate video games.⁷⁰

4. License of intellectual property

Many categories of video games in the market need license to have the right to use the intellectual property; the EA main label is EA sports which focuses on games such as FIFA, Madden NFL the game which was one of the top ten selling games in 2007, and the star wars. All are based on the license of intellectual property. Currently, It is the only company which has

⁷⁰ Annual Report of Electronic arts 2014

these licenses, but many of the company's rival are trying to obtain the license and compete EA sports. It should be threat.

5. Support for MMORPG games

In 2010 EA lost its market position by the competitor "Activision Blizzard" by one percent difference for the latter, this was because Activision's launching of the legendary game 'World of War-craft's' third sequel. It is dispensable that War-craft became so common because it does not have a concrete competitor on the massive multiplayer online role playing game market.

It is worth to mention that the gathered revenues are highly affected by selling particular console platforms, and if the company is concentrating its resources on one console platform is highly risky. As mentioned earlier EA didn't predicted the right looter in the console wars, due to that it has experienced decreased sales amount. The EA lunched the highly anticipated massively multi-player online games in 2012, and this field of the company represents by the game play call star wars: the old Republic.⁷¹

6. Big base of Retailers over the world

Electronic Arts enjoys abundance of the retailers and the retail partners especially in the Honking, South Korea, indie and Singapore. The North America market and European market are considered largest markets for Electronic Arts, as the company has many big stores such as Wal-Mart, GameStop, Safeway, Best Buy and Target, that can use to show up their latest product of games to customers. The direct sales of Wal-Mart retailers in 2014 were counted by 15% of company's total revenues.⁷²

➤ Weaknesses

1. Security of the game

The weakness of the EA is the security of its games. When the company publishes a game in the market the hackers have no difficulties to break up the security system of the game, and publish it in the websites illegally, that will lead the company to major losses and decrease the number of the sales unless it solve it, especially in the countries like South Korea where the laws are not clench enough.

⁷¹ Annual Report of Electronic Arts 2012, page 13

⁷² Annual Report of Electronic Arts 2014, page 8

2. Reduction of R&D and marketing

The reduction of the expenses of the Electronic Arts was not a good idea, the Research and Development reduction will lead to have less innovation and go slow with the technology of developing the graphics and design of video games as that through the R&D centers the company would know what the customers (gamers) are missing in certain game to be covered in the next release, also to know what type of games they are willing to see. The next reduction occurred when the company decided to reduce the marketing expenses, this is the second bad decision proceeded by the company because this action will contribute in reducing the market share of the company noticeably.

3. Restriction of the designing

The company does not produce console devices, EA labels are dependent upon the platforms that are created by other companies, and this limits company's design, graphics, and the performance, as compared with the competitors such as Activision Blizzard, Nintendo, and others are all equipped by their own console devices.

4. Absence of Electronic Arts own shops

In this point we are mainly focusing on the European market. There are no shops that the company could use in order to present their games, hardware and items. This weakness in the European market have to be solved by opening shops of Electronic Arts , that increase the brand awareness and attract more customers to Electronic Art's product and services which they provide.

➤ Opportunities

1. Acquisition of the companies over the world

EA Company had purchased and acquired several companies. On the top of the list is the acquisition of mythic entertainment in June, 2006. And again in 2007 the company purchased VG Holding Corporation which is one of the most famous role-playing of video game giant, this purchase was completed by 810 million USD. In 2009 and specifically on November, the final

purchase for EA sports was done when the company purchased the website 'playfish' for 300 million USD.⁷³

2. Expand in Asian market through joint ventures and establishing partnerships

Asian market namely China and Japan are unaffected by the both of publishers and developers of video game from USA and Europe. Thus, if EA uses smarter approach and better understanding of Asian directions, that would help the company to be the first of non-Asian video game maker to create a steady base in that huge market.

Also EA has already switched into the digital goods. A market with growth rate of 20% is considered as glamorous and promising one. EA has to undertake decisions regarding its future rigorously, besides that using its know-how and experience in that field for switching this opportunity to strength for the company.

3. Incoming into MMORPG games

The company have to invest the opportunity of such a type of games and compete with the main companies which are developing MMORPG Activision Blizzard, EA have to use its resources and cleverness to develop massively multiplayer online role-playing game, to maintain position in the market of software game.

4. New game title

The Electronic Arts might increase the expense of R&D in order to increase the invention and create new ideas which that the Electronic Art's can compete with the rivals through it. New MMO game with different technology and new idea that attract the gamers to try new experience surely which will increase the marketing and leads to a higher share in market, the much higher the better to gain more revenue.

5. Inventing new device (console)

Electronic Arts had a great opportunity to invent a console that will breakup all the limitation they face when producing games, hardware and items. However it is s hard to enter

⁷³ Iwatani Kane, Y. "Electronic Arts to cut 17% of staff and buy playfish". november 09, 2009. web. 12.11.2015.
< <http://www.wsj.com/articles/sb10001424052748704402404574525473636440080> >

such market because of the high production costs and the popularity of other consoles (PS4, Xbox one, Wii), but since the Electronic Arts brand image is strong they would succeed in this opportunity.

➤ **Threats**

1. The possibility of NFL lockout

Nothing Against threats EA can do, many people are missing the real football they might turn to play virtual football and that will turn the NFL lockout to be luck, to let the customers enjoying the digital football.

However the lockout of the NFL would cost the EA real losses approximated by 165 million USD, and that will results decreasing in sales by 50%.

2. Competitor's impact

As mentioned earlier, that the company EA is the only one which ahs license to proceed some game on annual basis, but the competitors of the company especially the biggest among them are willing to get license to compete EA by that, if one of them will succeed in that it will be very hard to EA to operate the competition especially that other rivals are having their own consoles, means that they can control the graphics upon their capabilities.

3. The unsettled of U.S. and global economy

EA faces threats that are from global dimension and outside of its affection domain. Fighting the U.S. and the global economy is considerable threat to any industry in these days. Company also sells its products across the world, so when the currencies volatile and dollar cannot recover its value, that all would be counted as threats to the company. National football league also faces a possible standoff, this threat supposed to be under control as it is very important, because NFL Madden is EA's important title game beside FIFA, which both are big revenue collection games.

4. Games piracy

The Electronic Arts protection covers the software, and the information from unpermitted accession. Any violation in the security of the company will result the company losses in market,

its reveals the production plan of the company, piracy is a persistent problem in the industry of electronic games.

In March 2014 BBC News mentioned that: “A web server belonging to the games company Electronic Arts which had been hacked and was hosting a phishing website, has now been fixed.”⁷⁴

Many companies worldwide are suffering from piracy and according to BBC news that, a web server of EA had been attacked by some piracies, that led people to sign there ID and some other personal information in the Window after trying to sign in the server, meanwhile the EA realized this hacking and they fixed it.

However the EA put many steps to make the copying of product illegally much difficult, as many of publishers of video games, PCs, and smart phones applications do this technology and steps are not 100% guaranteed to avoid piracy.

5. Competency

Being international company Electronic Arts means that playing on the international level, despite that the market looks gratified due to presence of digital gratification companies and the barriers that adjusted for the new comers are high, but the risk of robust rivals is still valid. For instance Activision Blizzard is the second biggest company on the list of the gaming market, Sony online entertainment, followed by the Take-Two Interactive Software Inc which is on the bottom of the competitor’s list of EA sports.

⁷⁴ BBC News. “EA games web server hacked to host phishing website now fixed”. BBC News technology.2014. <
<http://www.bbc.com/news/technology-13846031>>

11. SWOT matrix (TOWS Strategic Alternatives Matrix)

<p style="text-align: center;">External factors</p> <p style="text-align: center;">Internal factors</p>	<p style="text-align: center;">Strength</p> <ol style="list-style-type: none"> 1. Allocation of video games internationally. 2. Sundry labels' domain of video games. 3. Mobile games. 4. License of intellectual property. 5. Support for MMORPG games. 6. Big base of Retailers over the world. 	<p style="text-align: center;">Weaknesses</p> <ol style="list-style-type: none"> 1. Security of the game. 2. Restriction of the designing. 3. Reduction of R&D and marketing. 4. Absence of Electronic Arts own shops.
<p style="text-align: center;">Opportunities</p> <ol style="list-style-type: none"> 1. Acquisition of the companies over the world. 2. Expand in Asian and Middle East market through joint ventures and establishing partnerships. 3. Incoming into MMORPG games. 4. New game title. 5. Inventing new device (console). 	<p style="text-align: center;"><u>O-S strategies</u></p> <p>The expanding in Asian and middle East market will increase the allocation and distribution of the game over the world however the market consist mostly developing countries, but the power of buyers to purchase video games is relatively high. (O2, S1)</p>	<p style="text-align: center;"><u>O-W strategies</u></p> <ol style="list-style-type: none"> 1. Employing high educated people with skills in IT at the center of R&D in order to come up with new game title, and invent new console that will cut the limitation of designing .(W3, W2, O4, O5) 2. Acquiring bigger companies in the market of video games. In order to use their technology to solve the low security games level. (O1, W1)
<p style="text-align: center;">Threats</p> <ol style="list-style-type: none"> 1. The possibility of NFL lockout. 2. The unsettled of U.S. and global economy. 3. Competitor's impact 4. Games piracy. 5. Competency. 	<p style="text-align: center;"><u>T-S strategies</u></p> <ol style="list-style-type: none"> 1. Protect the license of intellectual property to avoid the competency in the title of EA sports and win the competitive advantage. (T4, S4) 2. Differentiation of production of Electronic Arts attributes not to rely on one product. (T1, S2) 	<p style="text-align: center;"><u>T-W strategies</u></p> <p>Opening new shops in Europe, for Electronic Arts, to come as a direct competitor to other companies. (T4, W4)</p>

12. Alternative (additional) strategies

❖ O-S and T-W strategies

Expansion strategy

Expansion strategy is the solution to Electronic Arts, to enter new market, namely, in Asia and Middle East as that the market in developing countries is unsaturated. Which present a huge opportunity in front of Electronic Arts to increase the sales, with the knowledge that developing countries of both markets has a big segment of young people who play video games. The Middle East market might achieve success more than other markets because people are not so familiar with online games (the competitor of Electronic Arts had less opportunity) and that would drive Electronic Arts to sell big number of the most popular titles of EA Sports, in addition to other titles. Also opening shops in the European market will help to increase the sales of the video games.

❖ T-S strategies

1. Protection Strategy

We mentioned this strategy before, Electronic Arts feature is summarized by the intellectual property license, however this license guarantee the production line of EA Sport, despite the presence of other competitors in the market such as Pro Evolution Soccer and Konami, Electronic Arts have the competitive advantage over its rivals.

2. Differentiation strategy

The production line of the Electronic Arts consists of several titles, Variety of titles produced by Electronic Arts ovoid from dependency on one product only. And that create a wider area to compete with other pioneer companies in the industry. But the company has to push as much as they did in 2014.

❖ **O-W strategies**

1. Hire efficiency strategy

This strategy aims to improve the Electronic Arts from inside, from year 2010 the company is following restricted strategy which is implemented to reduce the resources of research and development, it became as a result of the financial crises and the fiasco of PlayStation3. The core principle of higher efficiency strategy is 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.

2. Acquisition strategy

Electronic Arts acquired many companies during their existence in the industry; some of these companies were video game developers, game publishers and software distributors. The possibility of Merge between the Electronic Arts and big company in the field such as Nintendo or Ubisoft will give Electronic Arts better security throughout the long experience of the companies in video games industry. And decrease the piracy opportunity of hacking the software of the game and publishing it illegally.

13. Recommended (additional) strategies

Beside the transition strategy, Electronic Arts is applying many other strategies, that help the company to growth in the digital channels of distribution and develop from inside. The company is one of the biggest video games publisher and producer of consoles and personal computers. The main concept of the Electronic Arts strategies is to keep being direct with customers, and put the gamers always first. Last three years, Electronic Arts management decisions are talking carefully and patiently and that gives the company an opportunity to compete with the rivals and be the industry leaders.

After all mentioned information, the weakness of the Electronic Arts resulted from the absence of the hire efficiency strategy. This strategy would help the company to make several improvements from inside. However, this strategy would increase the expenses of Electronic Arts and therefore the cost production will logically increase also. But focus the resources of the Electronic Arts in the research and developing would let to invent new console as well as new titles.

Goals of this strategy:

- 1- Increasing the sales of the video games, because the diversification of Electronic Arts new titles in the market would attract gamers to try the latest.
- 2- Competing with other companies who produce consoles such as Nintendo, Sony. And break the limitation the company face while produce new games (graphic and design).
- 3- Increasing the expenses (marketing) means greater share in market, and that would result better selling and creating revenue for Electronic Arts.

And the production line I would recommend Electronic Arts to not to put the majority of their attention and resources behind single console but divide it equally between other consoles to share more in the market and not to fall in the same mistake of PlayStation3 again.

14. 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.

15. References

Activision Blizzard's Annual Reports and Proxy Statements 2010-2014.

<<http://investor.activision.com/annual-reports.cfm>>

Baer, Ralph H. "television gaming apparatus and method". IP Research & community 1972.

Web 15.11.2015. <<http://www.freepatentsonline.com/3659285.html>>

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>>

Boorstin, J." Electronic Arts' Radical Strategy for Long-Term Growth" CNBC News. August 01,

2012.web. 15.11.2015 <<http://www.cnbc.com/id/48442437> >

Bronstring, M." What are adventure games". about adventure games. February 12, 2012. Web

1.11.2015. <<http://www.adventuregamers.com/articles/view/17547>>

Burstein, D. "3 types of competitors to keep an eye on". Marketing Sherpa.

18.May.2012.web.11.11.2015

<<http://sherpablog.marketingsherpa.com/research-and-measurement/competitive-analysis-tools/>>

Carmichael, S."Video game E-commerce: It's about serving the fans".VB.2012.web.10.09.2015

< <http://venturebeat.com/2012/11/19/better-e-commerce-video-games/>>

Christopher J. Ferguson " Introduction to the Special Issue on Video Games", Texas A&M International University. 2010.web 19.10.2015:

< <http://christopherjferguson.com/ISIVG.pdf>>

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>

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

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

Electronic Arts Inc. (EA) Nasdaq GS.yahoo finance.

<:<http://finance.yahoo.com/q/is?s=EA+Income+Statement&annual>,<http://finance.yahoo.com/q/is?s=ATVI+Income+Statement&annual>>,<<http://finance.yahoo.com/q/is?s=TTWO+Income+Statement&annual>>

ESA .” About The Computer and video Game Industry”.esa.2010. from entertainment software association.web.05.10.2015

< http://www.theesa.com/facts/pdfs/esa_ef_2010.pdf.>

Esa.” industry facts”.2015.web.05.11.2015

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

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.

Gaudiosi, J. “The Sims 4 and other upcoming games to watch” CNN News, September. 03, 2013.web 10.08.2015

< <http://edition.cnn.com/2013/09/02/tech/gaming-gadgets/games-watch-gamescom/>.>

Goldsmith, IT.” Cathode-ray tube amusement device”.December 14. 1948.web.09.09.2015

< <https://www.google.com/patents/US2455992>>

Hillier,B.”NPD: bestselling hardware of 2013, GTA 5 top game”. 17.01.2014.web.30.09.2015

<<http://www.vg247.com/2014/01/17/npd-december-xbox-one-takes-top-hardware/>>

History of worldwide video game revenues”video game industry”.wiki 2013. Web.17.09.2015

< http://vgsales.wikia.com/wiki/Video_game_industry >

Hoover's Inc.," a Dun & Bradstreet Company puts you on the fastest path to business".
2015.web.17.07.2015

< http://www.hoovers.com/company-information/cs/competition.Electronic_Arts_Inc.b669b36364f2b99d.html>

Hovard Alexander, B. "The Computer Game Industry".NTNU. January 15, 2010.

<<http://www.diva-portal.org/smash/get/diva2:349985/FULLTEXT01.pdf>>

Johnson, E. "Japanese console market down as mobile gaming takes over". MCV News. July 30,

2014. < <http://www.mcvuk.com/news/read/japanese-console-market-down-as-mobile-gaming-%20takes-over/0136110> >

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>>

Mark J.P. and Wolf, Bernard Perron "An introduction to the video game theory". Formats.

<<file:///C:/users/user/downloads/257485-346687-1-pb.pdf>>

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/>>

MEEK, A." Electronic arts' CEO on transforming". November 7, 2014.web.17.09.2015

< <http://www.fastcompany.com/3038121/innovation-agents/electronic-arts-ceo-on-transforming-the-worst-company-in-the-us>>

Michael D. Gallagher." about the computer and video game industry". Theesa essential fact
.2015.

< <http://www.theesa.com/wp-content/uploads/2015/04/ESA-Essential-Facts-2015.pdf> >

Miller, M. "A History of Home Video Game Consoles". InformIT. April 01, 2005.web.11.10.2015

< <http://www.informit.com/articles/article.aspx?p=378141>>

Mobile Game Development: An Introduction DCKAP.27.08.2012.web.12.08.2015

< <http://www.dckap.com/blog/mobile-game-development-an-introduction/>>

President Barack Obama."Educate to innovate". Annual white house science April, 2013.web.30.09.2015

< <https://www.whitehouse.gov/issues/education/k-12/educate-innovate>>

Sharp, H."Common Video Gaming Terms Explained". May 23, 2013. ASIN: B00CZA90VI

SIWEK. S." video games 21st the century"the EST.2014.

< http://www.theesa.com/wp-content/uploads/2014/11/VideoGames21stCentury_2014.pdf>

Steven, L., Sebastopol CA," Hackers: Heroes of the Computer Revolution" , O'Reilly Media Inc. 2010. Page 335. ISBN 978-1-449-38839-3.

The Entertainment Software Association "industry facts ".seagate technology.2015.

< <http://blog.seagate.com/consumer/80-percent-of-americans-love-their-video-games/>>

The Official website of the Electronic Arts

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

Video games in U.S."Video games sales"Wiki.1978-2013.

< http://vgsales.wikia.com/wiki/Video_games_in_the_United_States. >

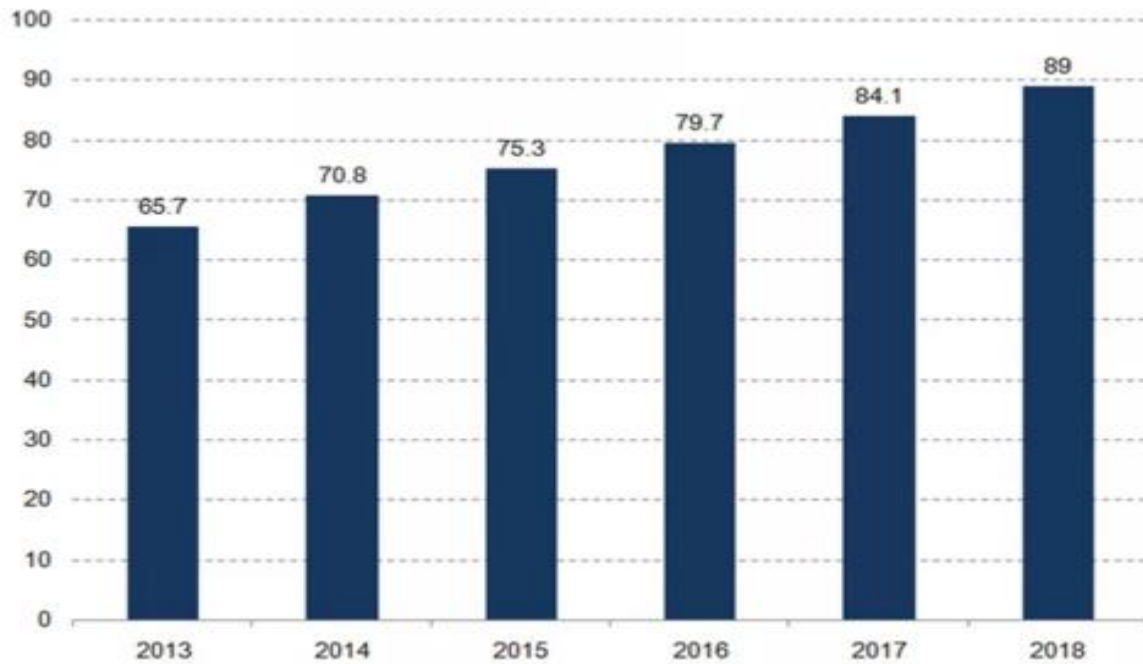
Williams, G. "Cost of making games set to soar". BBC News. November 17, 2005.web.05.07.2015

< <http://news.bbc.co.uk/2/hi/technology/4442346.stm> >

16. Appendices

Appendix -1

Global Video Game Market Forecasted Growth (in Billion USD)

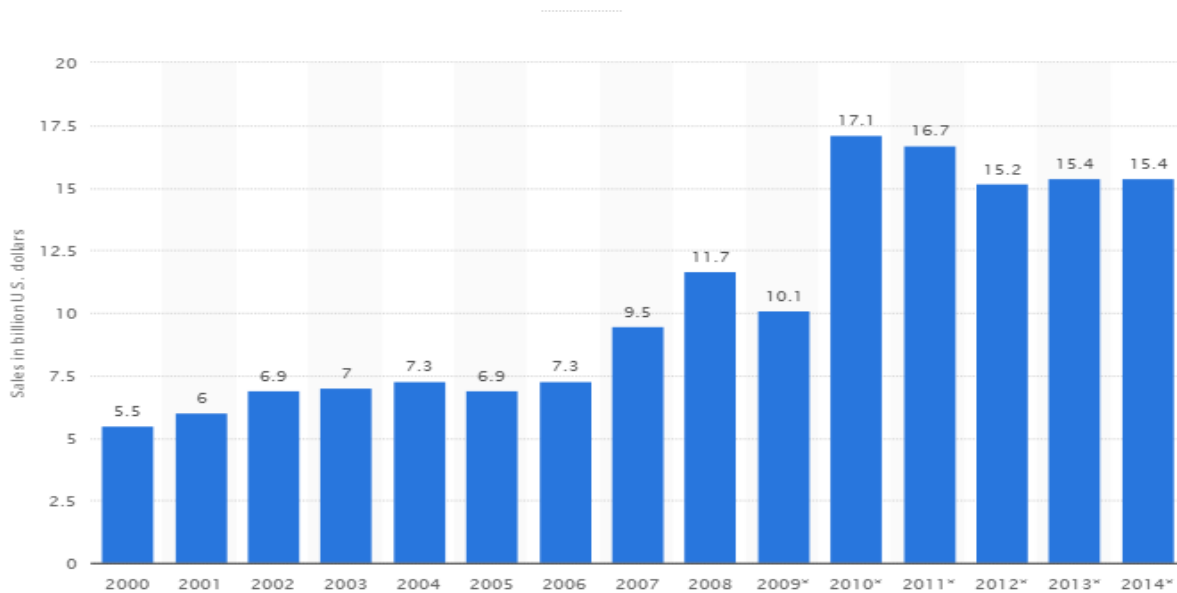


Source: (<http://marketrealist.com/2015/03/electronic-arts-stock-benefits-innovation-sound-strategy/>)

The graph illustrates the growth of the video game industry, and the expectations of the researchers show the continuing in the growth of the industry in the Foreseeable future.

Appendix -2

Computer and video game sales in the United States from 2000 to 2014 (in billion USD)

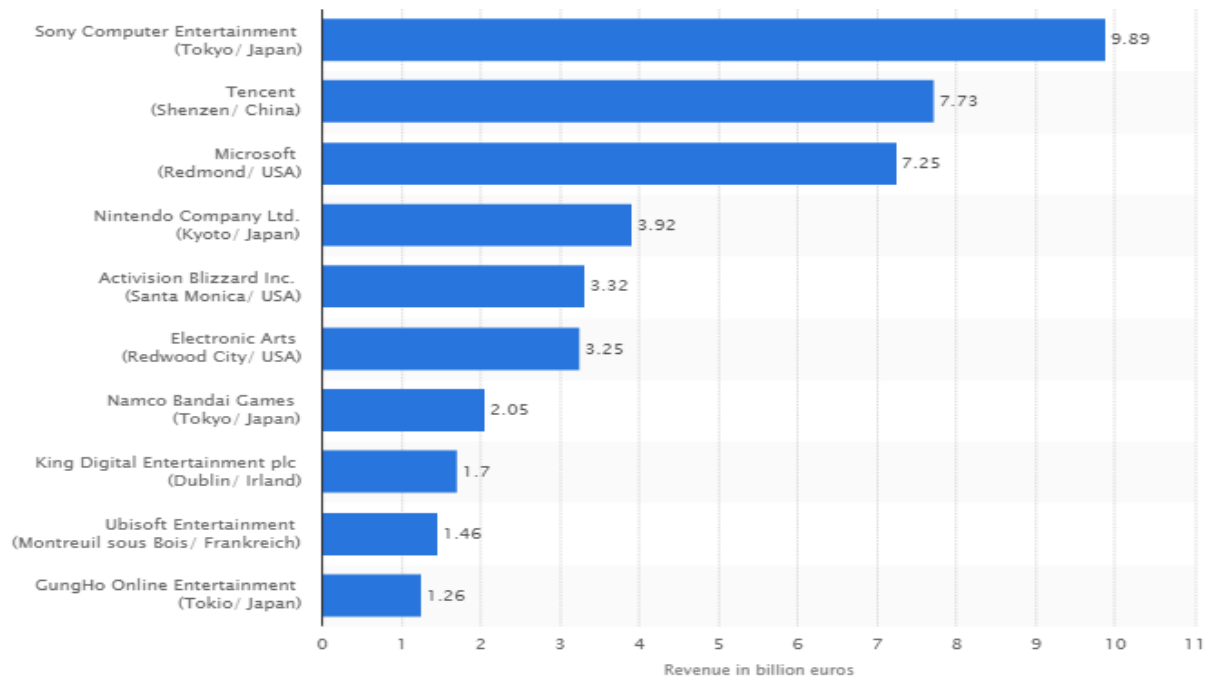


Source: (<http://www.statista.com/statistics/273258/us-computer-and-video-game-sales/>)

The graph shows the computer and video games sales in the United States, and the statistics shows that the sale from this industry is rising year after year from 2000. The graph shows the sales of hard copies in the market of U.S. from 2000-2009 while from 2009-2014 shows the sales in total from the physical way as well as the digital which represented by internet.

Appendix -3

Revenue of the largest computer and video game publishers worldwide in 2015 (in billion EUR)

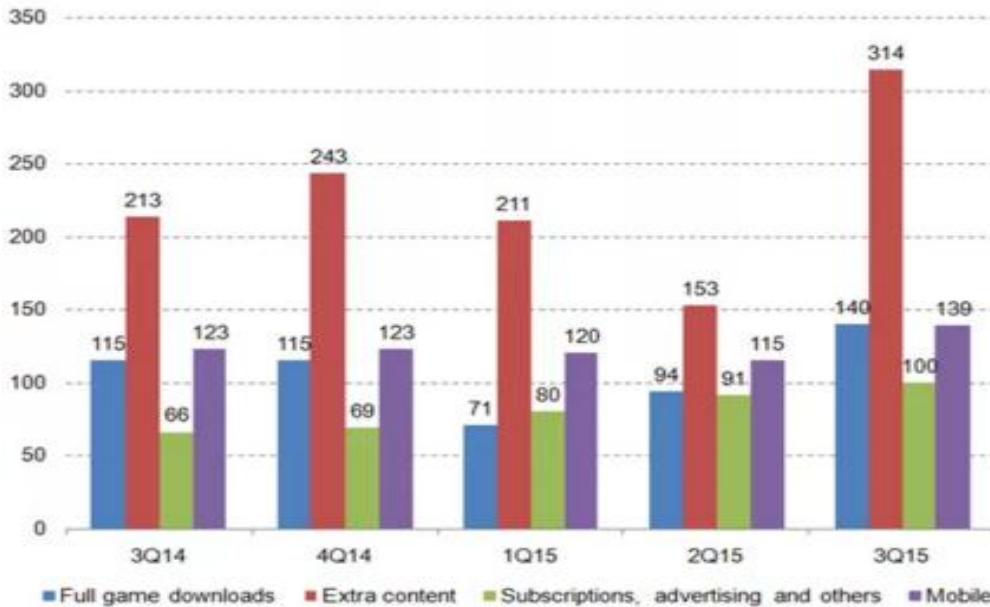


Source: (<http://www.statista.com/statistics/273838/revenue-of-the-largest-video-game-publishers-worldwide/>)

The graph shows the revenues of the largest companies of Video games developers and publishers over the world, and in 2015 the first company as it's in the graph up is Sony computer entertainment with 9.89 billion EUR and that related to the big numbers of games they company publishing with their own console, and in the sixth position the Electronic Arts is located with revenues approximated by 3.25 billion EUR.

Appendix -4

Electronic Arts Digital revenue by Quarters(2014-2015)



Source: (http://marketrealist.com/2015/03/electronic-arts-digital-revenue-grows-significantly-3q15/?utm_source=yahoo&utm_medium=feed&utm_content=graph-1&utm_campaign=electronic-arts-digital-revenue-grows-significantly-3q15#290351)

The graph illustrates the Digital revenue of the Electronic Arts and we can see that the extra content selling through internet has the highest returns, while the full-game downloads and the buying virtual goods (subscription) from the customers, made the lowest rates of revenues as shown in the figure above.

Appendix -5

Stock price (market value) of Electronic Arts, Activision Blizzard, Take-Two interactive



Source:

([http://finance.yahoo.com/echarts?s=EA+Interactive#{"useLogScale":true,"range":"5y","allowChartStacking":true}](http://finance.yahoo.com/echarts?s=EA+Interactive#{))

We can have a look on the appendix number 5, the graph gives an idea about the performance of the Electronic Art's in the recent years compared to its competitors in the industry (Activision Blizzard, take-Two interactive). It's clear that the stock price of the three companies is increasing, that reflect the high degree of competition level between the compared companies.

Appendix –6

The formulas of financial ratios

Ratio	Formula
Liquidity ratios	
Current Ratio	Current assets / Current liabilities
Quick Ratio	(Current assets - inventory) / Current liabilities
Leverage Ratios	
Debt to total Assets Ratio	Total debt / Total assets
Debt to Equity Ratio	Total debt / Total stockholders' equity
Long term Debt to Equity Ratio	Long term debt / Total stockholders' equity
Activity Ratios	
Inventory Turnover	Sales / Inventory of finished goods
Accounts Receivable Turnover	Annual credit sales / Account Receivable
Average Collection Period	(Account Receivable * 365 days) / Total credit sales
Profitability Ratios	
Gross Profit Margin	Sales – COGS / Sales
Net Profit Margin	Net income / Sales
Return on Assets	Net income / Total assets
Return on Stockholders' Equity	Net income / Total stockholders' equity

Note: these formulas retrieved from David, Fred R. *Strategic Management: Concepts and Cases*, page 110.

****Note:** to calculate the Account Receivable Turnover and average collection period ratios, Sales was used instead of Annual credit sales.

Appendix – 7 Financial Statements for the fiscal year that ended 31 March, 2015

Item 6: Selected Financial Data

ELECTRONIC ARTS INC. AND SUBSIDIARIES

SELECTED FIVE-YEAR CONSOLIDATED FINANCIAL DATA

(In millions, except per share data)

STATEMENTS OF OPERATIONS DATA	Year Ended March 31,				
	2014	2013	2012	2011	2010
Net revenue	\$3,575	\$3,797	\$4,143	\$3,589	\$3,654
Cost of revenue	1,347	1,388	1,598	1,499	1,866
Gross profit	2,228	2,409	2,545	2,090	1,788
Total operating expenses	2,195	2,288	2,510	2,402	2,474
Operating income (loss)	33	121	35	(312)	(686)
Gains (losses) on strategic investments, net	—	39	—	23	(26)
Interest and other income (expense), net	(26)	(21)	(17)	10	6
Income (loss) before provision for (benefit from) income taxes	7	139	18	(279)	(706)
Provision for (benefit from) income taxes	(1)	41	(58)	(3)	(29)
Net income (loss)	\$ 8	\$ 98	\$ 76	\$ (276)	\$ (677)
Net income (loss) per share:					
Basic	\$ 0.03	\$ 0.32	\$ 0.23	\$ (0.84)	\$ (2.08)
Diluted	\$ 0.03	\$ 0.31	\$ 0.23	\$ (0.84)	\$ (2.08)
Number of shares used in computation:					
Basic	308	310	331	330	325
Diluted	316	313	336	330	325
	As of March 31,				
	2014	2013	2012	2011	2010
BALANCE SHEETS DATA					
Cash and cash equivalents	\$1,782	\$1,292	\$1,293	\$1,579	\$1,273
Short-term investments	583	388	437	497	432
Marketable equity securities	—	—	119	161	291
Working capital	748	408	489	1,031	1,011
Total assets	5,716	5,070	5,491	4,928	4,646
0.75% convertible senior notes due 2016, net	580	559	539	—	—
Other long-term liabilities	324	327	374	363	343
Total liabilities	3,294	2,803	3,033	2,364	1,917
Total stockholders' equity	2,422	2,267	2,458	2,564	2,729

Appendix – 8 Balance Sheets for the fiscal year that ended 31, March, 2015

ELECTRONIC ARTS INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(In millions, except par value data)	March 31, 2014	March 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,782	\$1,292
Short-term investments	583	388
Receivables, net of allowances of \$186 and \$200, respectively	327	312
Inventories	56	42
Deferred income taxes, net	74	52
Other current assets	316	239
Total current assets	3,138	2,325
Property and equipment, net	510	548
Goodwill	1,723	1,721
Acquisition-related intangibles, net	177	253
Deferred income taxes, net	28	53
Other assets	140	170
TOTAL ASSETS	<u>\$5,716</u>	<u>\$5,070</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 119	\$ 136
Accrued and other current liabilities	781	737
Deferred net revenue (online-enabled games)	1,490	1,044
Total current liabilities	2,390	1,917
0.75% convertible senior notes due 2016, net	580	559
Income tax obligations	189	205
Deferred income taxes, net	18	1
Other liabilities	117	121
Total liabilities	3,294	2,803
Commitments and contingencies (See Note 13)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. 10 shares authorized	—	—
Common stock, \$0.01 par value. 1,000 shares authorized; 311 and 302 shares issued and outstanding, respectively	3	3
Paid-in capital	2,353	2,174
Retained earnings	29	21
Accumulated other comprehensive income	37	69
Total stockholders' equity	2,422	2,267
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$5,716</u>	<u>\$5,070</u>

Appendix – 9 Balance Sheets for fiscal year that ended 31, March, 2010

ELECTRONIC ARTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except par value data)	<u>March 31, 2011</u>	<u>March 31, 2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,579	\$1,273
Short-term investments	497	432
Marketable equity securities	161	291
Receivables, net of allowances of \$304 and \$217, respectively	335	206
Inventories	77	100
Deferred income taxes, net	56	44
Other current assets	<u>327</u>	<u>239</u>
Total current assets	3,032	2,585
Property and equipment, net	513	537
Goodwill	1,110	1,093
Acquisition-related intangibles, net	144	204
Deferred income taxes, net	49	52
Other assets	<u>80</u>	<u>175</u>
TOTAL ASSETS	<u><u>\$4,928</u></u>	<u><u>\$4,646</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 228	\$ 91
Accrued and other current liabilities	768	717
Deferred net revenue (packaged goods and digital content)	<u>1,005</u>	<u>766</u>
Total current liabilities	2,001	1,574
Income tax obligations	192	242
Deferred income taxes, net	37	2
Other liabilities	<u>134</u>	<u>99</u>
Total liabilities	2,364	1,917
Commitments and contingencies (See Note 11)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. 10 shares authorized	—	—
Common stock, \$0.01 par value. 1,000 shares authorized; 333 and 330 shares issued and outstanding, respectively	3	3
Paid-in capital	2,495	2,375
Retained earnings (accumulated deficit)	(153)	123
Accumulated other comprehensive income	<u>219</u>	<u>228</u>
Total stockholders' equity	2,564	2,729
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$4,928</u></u>	<u><u>\$4,646</u></u>