

Assignment #3
Environment Scan of Electronic Arts, Inc.
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Introduction

The field of library and information science is constantly changing and adapting to new technologies. Within this growth, new career opportunities arise for information professionals. One example is in the area of video and computer game development. In his blog post *The Solution to Stagnant Games? Librarians!*, Simon Ludgate urges gaming companies to hire librarians and information professionals. He argues,

“Librarians are facilitators: they make sure the right information gets to the right person at the right time. They understand the flow of knowledge, the interconnected relationships, the work processes. Librarians may not do the work needed to make a game, but they make it possible for everyone else to do that work” (Ludgate, 2012).

He elaborates by describing how both the gaming industry and information cultures allow for creativity in and the adoption to ever-changing environments (Ludgate, 2012). However, after compiling a quick search and examining job descriptions at several game producing companies, few job openings exist that allot for the skills of an information professional.

Among the possible careers that do exist for information professionals in the gaming industry, such as development leadership and project management roles, there remains a need for knowledge management. The newly established position of Knowledge Manager will focus on building a “solid information exchange infrastructure” (Ludgate, 2012) and be employed at an industry-leading company, such as Electronic Arts. The following report will be an environmental scanning analysis to provide the future employee with an appropriate framework for career development.

Analysis of External Environment

Company Background. In 1982, three former managers of Apple Computer, William (Trip) Hawkins, William Bingham Gordon and Tom Mott, founded Amazin’ Software. They had the vision to create a company that designed and published video games for home computers. The company eventually changed its name to Electronic Arts, Inc. (EA) and moved into the video game console market, releasing its first game for the Sega Genesis in 1989. Since then, EA has acquired several companies, expanded globally, and has grown into three operating labels - EA Games, EA Sports, and EA Play (Electronic Arts Inc., 2007). It has published major games series such as *FIFA*, *Madden NFL*, *Medal of Honor*, and *The Sims* (Electronic Arts, 2013). The company now publishes games for handheld game players and mobile devices.

For the 2013 fiscal year, Electronic Arts reported a net revenue of \$3.8 billion and a net income of \$98 million. The net revenue was down \$346 million from the previous year due to a decrease in online sales from increased competition. However, net income increased \$22 million from 2012 primarily due to a decrease in operating expenses. The most significant developments in this fiscal were expanding into wireless and Internet platforms.

Furthermore, EA reported having 9,300 full-time employees at the fiscal year end. Six percent of these employees work for DICE, Electronic Art’s Swedish development studio, which are represented by a union. EA believes “that [their] ability to attract and retain qualified employees

is a critical factor in the successful development of our products and that our future success will depend, in large measure, on our ability to attract and retain qualified employees" (Electronic Arts, *Annual Report*, 2013).

Industry environment. Electronic Arts' primary industry is in software publishing (NAICS code: 511210) and sub-industry of game design and development. Within the software industry there are 491 companies, 805,165 employees, and annual revenue of \$734 billion. The United States follows the Netherlands in net revenue, \$189 billion to \$357 billion in 2012.

Game design and development is an emerging industry. This industry began in the mid-20th century with the company, Service Games, providing coin-operated games to military servicemen. The company moved to Japan and renamed itself Sega. In the 1970s, the popularity of video games grew rapidly with arcade style games and soon onto personal computers. In the 1980s, Nintendo introduced the game console, Nintendo Entertainment System, which further stimulated popularity. Other platforms emerged such as the Sony PlayStation, Sega Dreamcast, and the Nintendo Game Boy (Game Design and Development, 2013).

This industry remained extremely competitive until the first decade of the 2000s when the economy began to struggle. To combat this lull in game play, platforms such as the Sony PlayStation and Microsoft Xbox began to offer additional features. These included online video streaming services such as Hulu and Netflix.

During this economic downturn, the game design and development industry experienced a dynamic shift. Video game sales fell 6.3 percent worldwide in 2009, while Mobile gaming rose, causing a decrease in the use of plastic-disc games. This reduced the barriers to entry and opened the market for small and independent developers to take part in the revenue. For example, the *Angry Bird* series was "downloaded 140 million times" (Game Design and Development, 2013). During this time, Electronic Arts, Inc. acquired Pogo.com. This increased its market stance in online gameplay (Game Design and Development, 2013).

The way consumers pay for games changed as well. Initially, online games required a monthly or annual subscription to play. Now, gameplay is free with the purchase of add-ons for enhancements or for continued play (Game Design and Development, 2013). The advancement in technology has a significant impact on those in the software publishing industry.

National Environment. Electronic Arts, Inc. competes with small companies with few financial resources and large companies with an abundance of capital. In the table below, EA's main competitors are given (Electronic Arts, *Annual Report*, 2013).

Competition in Games for Console Devices	Competition in Games for Mobile Devices	Competition in Online Gaming Services
<ul style="list-style-type: none">• Sony• Microsoft• Nintendo• Activision Blizzard• Take-Two Interactive• Ubisoft	<ul style="list-style-type: none">• Capcom Mobile• DeNA• Gameloft• Glu Mobile• Rovia• Zynga	<ul style="list-style-type: none">• Activision Blizzard• Big Fish• King.com• Nexon• Tencent• Zinga

Competition in games for mobile devices and online gaming is expected to increase greatly as barriers to entry are low and a change in consumer expectations for the cost of game-play. With many titles available, few contribute drastically to the industry's revenue. This highly competitive market is a possible threat for Electronic Arts, Inc. (Financial and Strategic Analysis Review, 2013).

Other threats include piracy and unauthorized copying of software and the evolving technological environment. Intellectual property infringement has been a persistent issue, especially in cultures where laws and copyright protection enforcement is absent. Technological advancement may cause games, industry standards, and software to become outdated. Electronic Arts, Inc. needs to react quickly and understand customers' needs. These threats may have a possible impact in growth and revenue generation (Financial and Strategic Analysis Review, 2013).

Macro-environment. Electronic Arts, Inc. has many contributing factors affecting its success. Below is a brief discussion of several areas that pose a possible impact on the company's operating environment.

Social-cultural. A large social-cultural impact on the video game industry is the contested topic of violent video games. If the population refuses to purchase this genre, sales will be impacted. This is only one example where consumers may lose interest in a particular genre of game play.

Technological. The technological environment changes rapidly in this industry. It is important for Electronic Arts to correctly predict trends to remain competitive. It requires substantial strategic planning and large investment in research and design with minimal assurance of game success. This risk may put EA at a "competitive disadvantage" if the focus was misdirected (Electronic Arts, Inc., *Annual Report*, 2013).

Economical. The video game industry is highly seasonal, where most sales are garnered in the holiday season. Electronic Arts, Inc. sees its highest sales in the quarter ending in December and its lowest sales in the quarter ending in June (Electronic Arts, Inc., *Annual Report*, 2013). It is very important for the company to have its products ready and on the shelves of its retailers before the holiday season.

This industry is also cyclical. When a new game console is released, new video games will be released as well. This will cause a spike in sales. Electronic Arts depends on third-party producers of game consoles, PCs, and mobile devices. Therefore, it is important for EA to accurately predict the success and consumer demands of these platforms (Electronic Arts, Inc., *Annual Report*, 2013).

The company may also be impacted by currency fluctuations. As of March 31, 2013, 55 percent of EA's net revenue was from international sales. EA is a global company and therefore is subject to differences among currency exchange rates (Electronic Arts, Inc., *Annual Report*, 2013).

Political. Electronic Arts, Inc. is also affected by United States legislation as well as foreign policies. The company must also comply with content distribution and rating requirements. These may be different depending on the regulating body.

Reflection and Future Implications

After examining the external environment of Electronic Arts, it is determined that the environment is complex and quickly changing. Technology plays a momentous role in this industry and it is important for companies to remain aware of possible shortfalls. Information professionals come adept and ready for fluctuating environments. The future position of Knowledge Manager can bring many benefits to the EA by facilitating efficient information exchange and corporate knowledge for employees and management. “Good information exchange greatly enhances creativity and makes it possible for everyone to make meaningful contributions without overloading designers with overlapping feedback” (Ludgate, 2013). Information professionals would thrive in this environment, where creativity and change is welcome.

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