

Electronic Arts

Problem Statement: EA faces growing threats from piracy, evolving consumer expectations, regulatory challenges, and rapid advancements in gaming technology. These factors threaten revenue stability, brand reputation, and EA's ability to maintain a competitive edge in the industry.

POLITICAL

Opportunities	Score (Opportunities)	Threats	Score (Threats)
Stakeholder Needs/Demands	4	Potential Tariffs	-4.0
Trading Policies	5	Wars and Conflict	-3.0
Funding, Grants, and Initiatives	3	Terrorism	-2.0
Home Market Lobbying/Pressure Groups	2	Government Term and Change	-3.0
International Pressure Groups	1	Elections	-1.0
Government Policies	4	Internal Political Issues	-2.0
Inter-Country Relationships/Attitudes	5	Increase in Minimum Wage	-5.0
Political Trends	2		
Governmental Leadership	3		
Government Structures	1		

ECONOMIC

Opportunity	Score (Opportunity)	Threat	Score (Threat)
Home Economy Situation	5	General Taxation Issues	-4
Home Economy Trends	5	Taxation Changes	-3
Overseas Economies	4	International Trade	-4
Market and Trade Cycles	3	Exchange Rates	-3
Industry Factors	4	Tariffs	-5
Distribution Trends	4	Inflation	-4
Customer Drivers	4	Interest Rates	-4
Disposable Income	4	International Finance	-4
Job Growth	3	Monetary Policy	-3
Consumer Confidence	4	Seasonality/Weather Issues	-2
Import/Export Ratios	4	Volatile Commodities Market	-5
Production Level	4	Reliance on Overseas Production	-4
Huge Gaming Market	5	Global Expansion Difficulties	-5

SOCIAL/DEMOGRAPHIC

Opportunities	Score (Opportunities)	Threats	Score (Threats)
Increase in Gaming Enthusiasts	5	Sustainability Demands	-4.0
High Demand for Esports	5	Game Addiction Concerns	-5.0
Consumer Attitudes	4	Major Events	-4.0
Brand Image	4	Ethnic/Religious Factors	-2.0
Buying Patterns	4	Ethical Issues	-4.0
Advertising	3	Health Concerns	-4.0
Demographics	4	Staff Attitudes	-2.0
Population Shifts	3	Worker Shortage	-5.0
Diversity	4		
Living Standards	4		
Earning Capacity	4		
Organizational Culture	4		

TECHNOLOGY

Opportunity	Score (Opportunity)
Research Funding	4
Associated Technologies	3
Technology Maturity	3
Manufacturing Capacity	4
Information	3
Consumer Buying Tech	5
Innovation Potential	5
Tech Access	4
Energy Uses	3
Manufacturing	4
Internet	5
Bio-Tech	4
Waste Removal	4
Email	2
E-Learning	3
Collaboration Tools	4
Global Communication	3
Inventions	5
Innovations	5
New Discoveries	3
Research	4
Health	5
IT	5
Transportation	3
Genetics	4

TECHNOLOGY CONT.

Threats	Score (Threats)
Competing Technology Development	-5
Replacement Technology/Solutions	-4
Technology Legislation	-3
Intellectual Property Issues	-4
Rate of Obsolescence	-4
Software Changes	-3
RSI (Repetitive Stress Injury)	-2

ENVIRONMENTAL (INTERNAL SUSTAINABILITY)

Opportunities	Score (Opportunities)	Threats	Score (Threats)
Ecological Factors	5	Pollution/Environment	-5.0
International Ethics	4	Environmental Regulations	-4.0
National Ethics	4		
ESG Factors	4		
Societal Factors	5		

ENVIRONMENTAL (EXTERNAL SUSTAINABILITY)

Opportunity	Score (Opportunity)	Threat	Score (Threat)
Growing Sustainability Awareness	5	Global Factors	-4.0
Customer Values	5	Staff Attitudes	-3.0
Market Values	4	Management Style	-2.0

Stakeholder Values	5		
Organizational Culture	5		
Staff Morale	4		
Staff Engagement	5		

LEGAL

Opportunity	Score (Opportunity)	Threat	Score (Threat)
Consumer Protection	5.0	Current Legislation Home Market	-4
Competitive Regulations	3.0	Future Legislation	-5
		European/International Legislation	-4
		Regulatory Bodies and Processes	-3
		Environmental Regulations	-5
		Employment Law	-4
		Industry-Specific Regulations	-4

PESTEEL: KEY FACTORS

<u>External Opportunities</u>	<u>External Threats</u>	<u>Internal Strengths</u>	<u>Internal Weaknesses</u>
Growing gaming industry	Regulatory challenges in gaming	Strong brand recognition	Dependence on major franchises
Expansion of esports market	Rising development costs	Diverse game portfolio	Reputation issues
Advancements in gaming technology	Piracy and game hacking	Established esports presence	Reliance on microtransactions
Cloud gaming growth	Market saturation	Powerful game engines	Fluctuating game quality
Increase in digital game sales	Economic downturn affecting game sales	Large player community	Game development delays
Global market expansion	Competitive pressure from indie developers	live-service game model	Criticism over monetization strategies
Innovation in AI and game development	Shifts in consumer gaming preferences	Global publishing capabilities	Technical Limitations
Cross-platform gaming demand	Increased scrutiny on microtransactions	Innovative gameplay mechanics	Limited presence in mobile gaming
Subscription-based gaming growth	Supply chain issues affecting console production	Strong partnerships with hardware manufacturers	Occasional server instability
Increasing internet penetration	Data privacy and cybersecurity concerns	Subscription services like EA Play	High operating costs

TOWS MATRIX: ELECTRONIC ARTS

	EXTERNAL OPPORTUNITIES	EXTERNAL THREATS
	Growing Gaming Industry(E01) Expansion Of Esports Market(E02) Advancements in gaming tech.(E03) Cloud Gaming Growth(E04)	Regulatory challenges in gaming(ET1) Rising development costs(ET2) Piracy & Game Hacking(ET3) Market Saturation(ET4)
INTERNAL STRENGTHS	SO (Strengths-Opportunities)	ST (Strengths-Threats)
Strong Brand Recognition(IS1) Diverse Game Portfolio(IS2) Established E-sports presence(IS3) Powerful Game Engines(IS4) live-service game models(IS5)	<ul style="list-style-type: none"> • Differentiation: Esports Broadcasting • Differentiation: Cloud gaming services • Differentiation: AI Gameplay Innovation • Differentiation: AI Driven Game Engine 	<ul style="list-style-type: none"> • Cost: Stronger Anti Piracy Measures • Cost: Leveraging esports dominance to mitigate indie competition • Cost: expanding subscription models to offset rising costs • Differentiation: Customer Engagement
INTERNAL WEAKNESSES	WO (Weaknesses-Opportunities)	WT (Weaknesses-Threats)
Dependence On Major franchises (IW1) Reputation Issues from past(IW2) Reliance on microtransactions(IW3) Technical Limitations (IW4) Fluctuating gameplay quality (IW5)	<ul style="list-style-type: none"> • Differentiation: Product Diversification • Differentiation: Better-odds Loot boxes • Cost: Affordable Sub-Brand for Budget-Conscious Consumers • Cost: Optimizing in-house game development cycles to reduce production delays 	<ul style="list-style-type: none"> • Cost: Developing more flexible monetization models • Cost: Strengthening legal strategies to mitigate regulatory threat • Cost: Reducing reliance on annual franchise releases by adding more DLCs and expansion packs. • Cost: Partnerships with indie studios to lower production times

DECISION MATRIX: ELECTRONIC ARTS

Factors	Differentiation: Esports Broadcasting	Differentiation: Cloud Gaming	Differentiation: Better-Odds Loot Boxes	Cost: Reducing Reliance on Annual Franchise Releases
Growing gaming industryEO1	5	4	3	2
Regulatory challenges in gaming-(ET1)	2	3	2	5
Expansion of esports market(EO2)	4	5	3	2
Piracy and game hacking(ET3)	3	2	4	5
Cloud gaming growth(EO4)	5	5	2	3
Market saturation ET4	3	4	5	4
Totals	22	23	19	21

CHOSEN STRATEGY: Differentiation Cloud Gaming

According to our decision matrix, we can conclude that we have defined that the best alternative to implement is **Differentiation: Cloud Gaming**. Our alternative will position **Electronic Arts** at the forefront of digital gaming innovation. Given the **Growing Gaming Industry (EO1)** and **Expansion of Esports Market (EO2)**, cloud gaming offers greater accessibility and scalability to a broader audience.

Our chosen strategy also mitigates internal weaknesses, such as **Piracy and Game Hacking (ET3)** and **Market Saturation (ET4)**, by shifting towards a **secure, always-online ecosystem** that enhances long-term engagement and retention.

Cloud gaming services will let players stream EA games instantly across devices via a subscription-based model, reducing piracy, increasing accessibility, and expanding market reach with AI-driven enhancements and cross-platform play.

GE MATRIX

Factors	Market Attractiveness	Competitive Advantage
Market	<ul style="list-style-type: none">• Dimensions• Segments (4)• Tendency• Sales Seasonality (3)• Market Diversity• Offer/ demand relationship (5)• Energy Availability (-1)	<ul style="list-style-type: none">• Business Share (4)• Business Growth (5)• Regional Coverage (5)
Competition	<ul style="list-style-type: none">• Degree of substitutions (-4)• Degree of concentration (2)• Shift in market share (-2)	<ul style="list-style-type: none">• Business competitiveness (-5)• Shift in market share (2)• Degree of weakness (1)• Degree of acceptance (3)
Finance and Economics	<ul style="list-style-type: none">• Profitability (4)• Contribution margin• Economy of scale• Entry/Exit barriers• Inflation rate• Exchange rate• Wage levels	<ul style="list-style-type: none">• Return on investment• Added value• Entry/ exit barriers• Ease of raw goods buying• Cost of human resources• Ease of being financed

	<ul style="list-style-type: none"> • Availability of managers • Availability of workers • Cost of money 	<ul style="list-style-type: none"> • Cost of money
Technology	<ul style="list-style-type: none"> • Complexity (2) • Differentiation (4) • Patents and copyrights • Plant and facilities (5) • Production processes • Maturity • Business resources (5) 	<ul style="list-style-type: none"> • Ease of adaption to changes (3) • Level of specialization (5) • Quality of research and development (5)
Social and Political	<ul style="list-style-type: none"> • Influx of lobbying (3) • Influx of workers unions (3) • Influx of customer unions (3) • Social attitude and tendency (3) • Role of norms and laws (3) • Influx of fiscal policy (5) • Pollution (5) • Impact of demographic shifts (3) 	<ul style="list-style-type: none"> • Ease of adaption to changes (4) • Quality of social relationships (3) • Degree of pollution (2)

GE Matrix: Top 5 Factors

Key Factor	Description
Market Diversity (5)	EA benefits from a broad gaming audience across different genres and demographics.
Offer/Demand Relationship (5)	High demand for digital gaming content, esports, and cloud gaming services.
Business Growth (5)	Strong revenue growth through microtransactions, live services, and subscriptions.
Business Competitiveness (5)	Market leader in sports gaming franchises and exclusive licensing deals.
Quality of R&D (5)	Invests heavily in AI-driven gameplay and cloud gaming innovation.

Key McKinsey Factor:

Quality R&D is essential for EA, driving innovation in **Differentiation: Cloud Gaming** to maintain a competitive edge. Our alternative takes advantage of opportunities, such as advancements in gaming technology, and also mitigates threats such as increasing gaming-piracy issues.

Porter's Five Forces

Factor	Score
Threat Of New Competitors	
Economies of Scale	3
Proprietary; Product Differences	4
Brand Identity	5
Switching Costs	4
Capital Requirements	3
Access to Distribution	3
Absolute Cost Advantages	3
Proprietary Learning Curve	4
Access to Necessary Inputs	3
Proprietary Low-cost Product Design	3
Government Policy	2
Expected Retaliation	5

Factor	Score
Determinants of Industry Internal Competitive Rivalry	
Stage of Industry Growth	4
Fixed Costs/Value Added	3
Intermittent Overcapacity and Fixed Costs of Capacity	3
Product/Service Differences or Differentiation	3
Brand Identity and Reputation	5
Costs of Switching Brand to the Customer	5
Number of Competitors and Quality of Competitive Advantages	4
Difficulty of Knowing About Competitors	3
Diversity of Competitors	3
Corporate Risk and Stakes	3
Exit Barriers	3

Factor	Score
Determinants Of Substitution Of Threat	
Relative Price vs. Performance	4
Switching Costs	4
Availability Across Industries	2
Number of Similar Competitors	4
Knowledge of Substitutions	4
Exactitude of Substitutions	4
Determinants of Supplier Power	
Differentiation of Inputs	2
Switching Costs	2
Substitute Inputs or Suppliers	2
Supplier Concentration	2
Volume to Supplier	3

Factor	Score
Determinants of Buying Power / Bargaining Leverage	
Buyer Concentration vs. Firm Concentration	5
Buyer Volume	5
Buyer Switching Costs Relative to Firm Switching Costs	2
Buyer Information	5
Ability to Backward Integrate	3
Substitute Products	3
Pull Through Marketing	4
Price/Total Purchases	4
Product Differences	5
Brand Identity	5
Impact on Quality / Performance	5
Buyer Profits	4
Decision Makers Incentives	3

DEFENDING THE CHOSEN STRATEGY WITH PORTER

Force	Score	Analysis
Brand Identity	5	Differentiation: Cloud Gaming creates a strong brand identity by positioning EA as a leader in cloud-based gaming, offering unique and exclusive cloud-native gaming experiences.
Cost of Switching Brand to the Customer	5	Differentiation: Cloud Gaming reduces the likelihood of switching as players become invested in cloud-based saves, exclusive content, and seamless cross-device accessibility.
Product Differences	5	Differentiation: Cloud Gaming enhances EA's product differentiation by offering a unique gaming experience with real-time streaming, eliminating the need for high-end hardware.
Buyer Information	5	Differentiation: Cloud Gaming empowers buyers with more data on in-game performance, AI-driven analytics, and cloud-powered enhancements, increasing customer retention.
Buyer Power	5	Differentiation: Cloud Gaming strengthens EA's position by reducing buyer power through exclusive cloud-based titles, integrated AI-driven features, and seamless multi-platform play.

Key PFF Factor: Product Differences

With *Differentiation: Cloud Gaming*, EA creates a unique experience unmatched by competitors.

By enabling real-time streaming, EA removes hardware limits, making high-quality gaming accessible anywhere.

BEAM

Forces	Future Trends (e.g.)	Score	Tactics
Government Forces	Political Sensitivity Future political pressure may regulate cloud gaming services.	3	Our Differentiation: Cloud Gaming strategy ensures compliance by securing partnerships with compliant hosting providers and adhering to evolving digital laws.
	Economic and Trade Policy Changes in trade regulations could affect global server infrastructure.	2	Differentiation: Cloud Gaming will establish regional server hubs to avoid reliance on restricted markets and ensure uninterrupted service.
	Future regulation of digital content distribution.	4	Differentiation: Cloud Gaming will proactively align with digital policies to maintain service availability and prevent legal conflicts.
Demand Forces	Market Growth Increasing adoption of cloud-based gaming services.	5	Differentiation: Cloud Gaming capitalizes on growing demand by expanding server capacity and enhancing streaming technology.
	Channel Structure Shift towards subscription-based gaming models.	3	Differentiation: Cloud Gaming will optimize pricing strategies to remain competitive in the cloud gaming subscription market.
	Consumer Preferences Higher demand for seamless cross-platform experiences.	4	Differentiation: Cloud Gaming ensures accessibility across multiple devices, increasing engagement and retention.

Forces	Future Trends (e.g.)	Score	Tactics
Competitive Forces	Competitor Nature, Numbers, Size Increasing competition in cloud gaming.	2	Differentiation: Cloud Gaming offers exclusive content and AI-driven personalization to create a unique experience that competitors cannot replicate.
	Industry Profit Model Changing revenue streams in gaming, emphasizing subscriptions and live services.	4	Differentiation: Cloud Gaming capitalizes on evolving monetization by integrating flexible pricing models and premium-tier content.
	Ease of Entry, Exit Cloud gaming market has low entry barriers but high infrastructure costs.	2	Differentiation: Cloud Gaming ensures a strong foothold by leveraging EA's established IPs and partnerships to maintain market dominance.
	Unique Motivations Consumers seeking more accessibility and cross-platform gaming.	4	Differentiation: Cloud Gaming enhances accessibility by supporting seamless cross-device gaming experiences.

Supply Forces	Product, Process, Technology Increasing complexity of cloud-based game development.	5	Differentiation: Cloud Gaming invests in AI-driven optimization and cloud infrastructure to enhance performance and scalability.
	Substitute Products Traditional console and PC gaming remain strong alternatives.	3	Differentiation: Cloud Gaming focuses on real-time game streaming and exclusive cloud-only features to differentiate from traditional gaming models.
	Supplier Bargaining Power Dependence on cloud service providers.	2	Differentiation: Cloud Gaming reduces reliance on third-party cloud services by investing in proprietary server infrastructure.
	Availability of People and Capital Talent demand for cloud and AI-based game development.	5	Differentiation: Cloud Gaming attracts top talent by leading in AI and cloud gaming advancements.

Competitive Forces – Industry Profit Model: Cloud gaming's evolving revenue streams emphasize subscriptions and live services, and **Differentiation: Cloud Gaming** leverages flexible pricing models, premium-tier content, and AI-driven recommendations to maximize revenue potential and sustain long-term engagement.

