

Identify and describe ea's value chain and value chain costs

[Finance](#), [Market](#)



* Discuss whether EA has evolved any of its activities into competencies that give the company a competitive advantage.

Value Chain

Value Chain describes the activities within and around an organization which together create a product or service.

Primary activities are directly concerned with the creation or delivery of a product or service.

Support activities help to improve the effectiveness of efficiency of primary activities.

(Johnson, Scholes & Whittington, 2005)

Value Chain in EA for Creating Value

Primary Activities

In-bounds

* EA is able to negotiate volume discounts with console makers (Sony & Nintendo) that supplied the CDs and DVDs.

Operations

* EA has a virtuous strategy for the game creation and evaluation.

- * State-of-the-art tools use to allow for more cost-effective product development and to efficiently convert games designed on one game platform to other platforms. (Compatibility of games)
- * Have a strong relationship with console manufacturers.
- * Has an edge on its competitors that no other game software company has EA's ability to localize games or to launch games on multiple platforms in multiple countries in multiple languages.
- * Strong alliance with Cinema, Sports & other entertainment companies.
- * EA invested heavily in the development of tools and technologies that would facilitate the creation of new games for the existing (and future) game-playing

Out-bounds

- * " Proud of" games, i. e. familyentertainment games for video game consoles, PCs, mobiles, hand held and online.

Marketing & Sales

- * Boost its budgets for marketing and advertising, particularly TV advertising.
- * Electronic Arts marketing its products worldwide under four brand logos: EA Sports, EA Sports Big, EA Games, and Pogo. (Diversification of games)
- * Has a good relation with mass market retailers (like Wal-Mart, Toys " R" Us, Best Buy etc.), getting more shelf space for its games.

- * EA's games available in approximately 80, 000 retail locations worldwide.

Services

- * Manufacturer's guarantee
- * Launching game patches for extending games including new missions and characters.

Support Activities

Procurement

- * License agreements to create software games with the console manufacturers. (Sony, Microsoft, Nintendo etc.)
- * Agreement with the America Online (AOL), to be exclusive provider of a broad aggregation of online games.

Human Resource Management

- * Focused strategy is in place for human resource management and development. EA invests time and money in training people, and retaining and developing them.
- * Offer healthy working environment, providing Gym, Sports Pitch, Coffee Bar etc.
- * Present and former staff has praised Larry Probst's leadership for his ability to motivate and energize people.

Infrastructure

We can categorize EA's infrastructure in three ways;

- * Product Structure - Making products for Video consoles, Hand held, Mobile games, and Software games.
- * Geographical Structure - Two major design studios in Vancouver and Los Angeles and smaller design studios in San Francisco, Orlando, London, and Tokyo.
- * Functional Structure - Employees tend to be specialist in the business functions important to EA, such as manufacturing, marketing, finance, and human resources.

TechnologyDevelopment

- * State-of-the-art tools use to allow for more cost-effective product development and to efficiently convert games designed on one game platform to other platforms.
- * Electronic Arts has a reputation for new product development and creativity.

Linkages

- * License with the console makers for creation of software games and also getting discounted supply of CDs, DVDs or optical disks.
- * Geographical infrastructure allows EA to localize its games.

- * Rewording people creates more productivity from the employees

From the value chain in EA, it points out that how the value creates and how these activities relate to the cost reduction. EA must keep maintaining and improving these values-create activities.

Unique Resources

Unique Resources are those resources that critically underpin competitive advantage and that others can not easily imitate or obtain. (Johnson, Scholes & Whittington, 2005)

The Unique Resources OF EA

- * Acquisition of design studios world wide, to localize its games.
- * Heavily invested in R & D, facilitate the creation of new games for the existing and future game-playing
- * The commonality fleet
- * EA website - Pogo. com
- * The motivations among EA staff

Core Competence

Core competences are the activities and processes through which resources are deployed in such a way as to achieve competitive advantage in ways that others can not imitate or obtain. (Johnson, Scholes & Whittington, 2005)

Core Competence of Ryanair

* The good and long-term relationship with;

o Console Manufacturers - Sony, Microsoft, Nintendo

o Mass Market Retailers - Wal-Mart, Toys " R" Us, Best Buy

o Cinema, Sports and other entertainment industries

o AOL - To operate the games channel online on AOL

* Diversification of games

* Boost its budgets for marketing and advertising, particularly TV advertising.

Dynamic Capabilities

Dynamic capabilities are an organization's abilities to develop and change competences to meet the needs of rapidly changing environment

Dynamic capabilities of EA

* Invested in the development of tools and technologies for creation of games for the " new class of beast" consoles.

* Strategic acquisition of 'Jamadat' for the rapidly growing business of providing games on mobile phones

The Value Network

In most industries, it is rather unusual that a single company performs all activities from product design, production of components, and final assembly to delivery to the final user by itself. Most often, organizations are elements of a value system or supply chain.

The value network is the set of inter-organizational links and relationships that are necessary to create a product or service.

(Source: M. E. Porter)

So the production of games not only depends on the EA's Value Chain but also on the suppliers, channels and customer value chains. That when console makers are launching their new consoles; when the retailers have more buying capacity and shelf space and when the product is floating into the customer's value chain.