

Over the next three years, EA views the changes in video game console technology, PC technology, and Internet distribution technology as having the largest impact on business. It also suggests that the company will make broader use of compositing, and 3D software tools, as it performs more production work for TV and feature film.

Collaboration and Strategic Alliances

EA, with its worldwide operations, is open to subcontracting. However, the outsourcing requirements of the industry are in transition. What is happening is that the dominant firms within the industry are implementing tighter, more efficient (mature) processes for specifying and requesting bids. This will have an impact on smaller firms who are participants.

Today, the percentage of a typical project that is subcontracted can range from 0 to 25 percent. Over the next few years, as next generation devices become more pervasive, and the need to create games for a wider audience becomes more common, management views this percentage band to shift, such that higher figures are represented at both the lower and upper ends.

The work with developer partners (international or otherwise) is tending toward more specialization and compartmentalization. This includes content asset production or collaborative development, rather than full game development; it also forebodes more tightly managed work-for-hire, in addition to traditional developer-publisher relationships.

The partnership qualities, which fit best with the culture of EA, are as follows:

- 1) Quality work
- 2) A company that takes direction well
- 3) On-time delivery
- 4) A firm that makes economical sense

It should be mentioned, that in addition to EA studios, there is a division known as EA Partners (EAP). This is EA's publishing studio that focuses on the development and co-productions of 3rd party products from throughout the world. EAP, if operated as a stand-alone entity, would rank among the Top 5 U.S. game companies, based on annual revenues.

Currently, EAP has worldwide development and co-publishing agreements with Black Hole Games, Castaway Entertainment, Digital Illusions C.E., Free Radical Designs, Gas Powered Games, Lionhead Studios, Warner Brothers Interactive. EAP also has regional partnerships including Capcom, Koei, NovaLogic, NAMCO, Lucas Arts and Square Enix Co.

In the past, successful past collaborations at EA have been with a variety of creative companies. In summary, the types of collaborations have been with firms involving:

- 1) Numerous smaller video game developers
- 2) Motion Capture production service houses
- 3) Small/medium CGI production houses
- 4) Very small art/content teams