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Joel Kattilakoski

# The Growth of Video Game Industry

## Current Status and Future Prospects

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<p>The video game industry has been around since 1970s however, until the 2000s the growth had been very minor. In the recent years however, the growth that the industry has enjoyed has been staggeringly high. This thesis will observe the video game industry from within and from the outside. With this observing and research the thesis will try to give a sensible answers on the growth of the industry.</p> <p>The main thesis questions for this thesis are the following:</p> <ul style="list-style-type: none"> <li>• Why the growth and how?</li> <li>• How it is affecting the entertainment industry?</li> <li>• How these factors are used in a video game company?</li> </ul> <p>With these questions and answers the growth of the industry will become clearer and more obvious.</p> <p>The thesis will mainly focus on the reasons of the growth. Many of the reasons revolve around the progression of technology and how the industry and the players within the industry have taken advantage of this and innovated things around it. Topics like digitalization, mobile gaming, live-streaming, new business models and other are given a precise review and analysis. The later part of the thesis will revolve around a video game company Electronic Arts. Here the thesis will show how a specific company utilizes the factors that have enabled the industry to grow.</p> <p>The main purpose of this thesis is to give a more in-depth look into the world of video game industry and find out how it has managed grow so rapidly in the recent years.</p>	
Keywords	Video games, Video game industry, Growth, Electronic Arts, Digitalization, Microtransactions

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## List of Abbreviations and Glossary

<b>F2P</b>	Free to Play business model
<b>P2P</b>	Pay to Play
<b>Let's plays</b>	Videos where content creator documents playthrough of a video game usually includes commentary
<b>Triple A or AAA</b>	Classification for videogames that are produced by a major game developer with a high development budget.
<b>Live streaming</b>	Video that is recorded and broadcasted in real time
<b>Twitch</b>	Live streaming platform, where users can live stream their own live stream content, mainly video games.
<b>IP</b>	Intellectual property
<b>FPS</b>	First Person Shooter, video game genre centred around gun-based combat from first-person perspective.
<b>MMO</b>	Massively Multiplayer Online game, video game genre. Online game with large numbers of players. Hundreds to thousands of players on the same server.
<b>MOBA</b>	Multiplayer Online Battle Arena, video game genre. Also known as action real-time strategy. Team based competitive game.
<b>RPG</b>	Role-playing game, video game genre where the player assumes the role of a fictional character.
<b>BR</b>	Battle royale, video game genre where several players are dropped to an arena where they will fight to the last man.
<b>RTS</b>	Real time strategy game, video game genre centred around real time strategic movement, resource management etc. The aim is to destroy the opponents base.
<b>EA</b>	Electronic Arts, video game company
<b>FIFA</b>	Football video game developed by Electronic Arts and an esports title.

<b>PES</b>	Pro Evolution Soccer football video game developed by Konami and an esports title.
<b>Rocket League</b>	Vehicular football video game developed by Psyonix and esports title.
<b>Counter Strike Global Offensive</b>	Popular FPS video game and esports title.
<b>DOTA 2</b>	Popular MOBA video game and esports title.
<b>League of Legends</b>	Popular MOBA video game and esports title.
<b>Esports</b>	Video games played competitively and professionally.
<b>LAN</b>	Local area network.
<b>Online tournament</b>	Esport tournaments which are held through the internet
<b>Offline tournament</b>	Esport tournaments which are held not through internet but locally on "LAN". All players are playing from the same location, big tournaments are held in stadiums and other big venues.

## 1 Introduction

This thesis is a wide view into the world of videogame industry and how it has progressed and grown in the past years. There are multiple reasons to the growth of the industry, this thesis will try to clarify the multiple reasons for the growth and how it has been possible.

The topic area is very relevant and very interesting at the moment. Video game industry has risen to be the most dominant industry in the entertainment sector. It has risen its productivity massively in the past 10 years. In 2018 the industry's total market was worth \$137,9 billion. It is calculated to grow exponentially with the coming years. By 2021 it is expected to grow to \$180,1 billion in revenue (Wijman, 2018). With the casual gaming on the rise, more and more people who are not categorized as "gamers" are playing video games. In 2018 already, tablet and smartphone games made 51% of the whole video game market revenue. According to experts the growth will continue to grow and with it the revenues (Wijman, 2018). Gaming and the gaming industry are here to stay. \$137,9 billion is a big number but it is quite hard to grasp upon, for example Finland's GDP in 2018 was \$251,8 billion. The revenue of the videogame industry alone was more than half of the Finland's whole GDP for the year 2018 (Trading Economics, 2018). These growth numbers and more will be looked more in-depth further on the thesis.

At the beginning of this thesis there will be notes on how the research has been done on this work and where most of the information come from and how the author decided to include these sources on this paper. With the research questions chapter, the paper will start to dwell deeper into the subject. There the reader can see the main questions of the thesis; these questions will be answered more in-depth in the chapters following. As the overall image on the thesis has been created the paper will start to focus on the details that make the big picture. Subjects like mobile gaming, new target audiences, business models, digitalization, etc. Each of these subjects are closely related to the growth and to the main thesis questions. Towards the end of the thesis, there will be a closer look into a videogame company Electronic Arts. The function of this is to show the reader how a videogame company utilizes the aspects that have made the industry grow and how they have participated in the growth of the industry.

## 2 Research process

This thesis is mostly based on secondary data. Secondary data is data that has been gathered by someone else and the data has already been passed through statistical process (Kothari, 2004:95). Most of this data can be found on the internet. Because of the topic's relevancy and state, online sources are much more up-to-date than some outdated books and journals. Books and journals are used in the thesis as well, but the main source material comes from online sources. Online sources include, studies from analytical companies and other industry leaders, company annual reports, business articles and other news articles about the state of the industry. These sources give an accurate and informative state on the industry and its movement. This thesis will aim to use these tools to observe the state and the future of the industry.

The research objectives for this thesis are as follows:

- Obtain a wider view to the growth
- Find more in-depth material on the reasons of the growth
- Find the most important aspects of the growth and focus on them
- Understand most of the processes behind the industry
- Give the reader a better understanding about the industry and its potential
- Gain more in-depth knowledge about specific companies and their strategies

These objectives and the following research questions are going to be the foundation to this thesis.



### 3 Research Questions

This section of the thesis will cover the basic and fundamental questions of the thesis. These questions are going to lay the basic foundation to this paper. Questions, why the industry has had major growth in the past years, how the growth is happening and how it is affecting the entertainment industry as a whole. These basic questions will be covered and answered in more detail further on the thesis.

#### 3.1 Why the growth and how?

Why has the videogame industry gained this major growth it has enjoyed in the past few years? The industry as a whole has been growing steadily ever since its birth in the 70s. According to Newzoo, an analytical company that specializes in the videogame industry; in 2012 the industry was worth little over 70 billion dollars, the industry is now worth 151.9 billion dollars, and the figure is expected to rise to 180.1 billion by 2021(Wijman and 2018, 2019). Reasons for this are many, Mobile gaming, new business models, growth in casual gaming, digitalization, major investors have only now started to realize the potential in the industry and of course the change that has happened in culture and in people on how they see videogames.

The surge of mobile games to the industry has had a major impact on the industry in the past four years. 2012 mobile gaming was only a small margin in the global videogame industry markets, making 12 billion out of the 70.6 billion dollars (Statista, 2019). During the 2012 45% of the industry's market was made by console games, 37% was made by PC and finally 18% was made by the mobile gaming industry. Comparing these numbers to 2019 numbers we can see a staggering rise in mobile gaming. 2019 Mobile gaming had taken over the industry as its biggest money-making-machine. 54% of the industry's revenues were made with mobile games, 22% with PCs and 24% with consoles (Wijman and 2018, 2019).

The growth in "casual gaming" has been tremendous in the last 5 years. Growth in this sector can be seen by the ever-expanding market of smartphone and tablet games, as stated in the earlier paragraph. In the coming years it is calculated to expand even more, and the revenues are expected to grow as well. The average US gamer in today's society is a 35 years old male. According to Entertainment Software Association,

more than 72% of all US gamers are 18 years old or older. Women are not left out in this calculation, women make up 31% of that number (World Economic Forum, 2017).

All this seems weird as the tag “gamer” is often labelled on people who spend their time at home playing either computer or a console. Because of the ever-expanding market of smartphone games people who often would not be categorized as a gamer are now seen as one, at least in statistical charts. This means great new sources of revenue for the companies that are operating in this market field.

New business models have had a major impact on the gaming industry. In the past there was only one option of business model available to the videogame publishers/developers. It was to make the game, publish it, distribute it physically around the world, and collect the revenues from it. To the publishers and developers, it meant a lot less revenue when they had to pay to the distributors and to the retailers. Now however as we live in internet focused world, the doors are open for many different sorts of business models. Some of the most interesting ones are freemium model, which are heavily depended on microtransactions. With freemium there are, subscription-based models and the old pay to play model to name a few. From these models freemium and microtransactions stand out. As the casual gaming has risen phenomenally in the past 5 years so has the freemium model and microtransactions with them. One of the leading videogame company Electronic Arts has been one of the forerunners in games that have microtransactions. In 2016 April to March 2017 EA declared that they had made 1.68 billion dollars from their extra content business (EA, 2017). Extra contents are the small microtransactions that the gamers can buy to add to their game, such as cosmetics or other in game items. Microtransactions have a large ask within the gaming industry, especially in the casual gaming, where these microtransactions may turn into “pay-to-win” models. These pay-to-win models will be discussed in the coming chapters.

One of the biggest factors is digitalization and the change from physical to digital. Video game industry was one of the first industries to notice and fully embrace the digitalization. Companies such as Valve who first launched their digital distribution platform, Steam in 2003 are the major forerunners in this business. As Valve is a private owned company it makes it hard to estimate how much revenue the company actually generates from the online marketplace platform. According to Sergey Galoyonk, the creator of “Steamspy”, a website that gathers information from steam, Steam earned 4.3 billion dollars in 2017. These 4.3 billion dollars do not include sales made by DLC (Down-

loadable content) or microtransactions (Taylor, 2018). With these figures and the climate of the industry, the numbers could be forecasted to rise even more. However as this is not an official statement from the company these numbers must not be taken as the ultimate fact (Bailey, 2019).

With these platforms the publishers and developers can easily save thousands maybe millions of dollars when they are not forced to make any physical copies of the games and they are not forced to pay to any 3<sup>rd</sup> party companies except for Steam or any other digital distribution platform.

### 3.2 How it is affecting the entertainment industry?

The topic area is very relevant and very interesting at the moment. Video game industry has risen to be the most dominant industry in the entertainment industry. It has risen its productivity massively in the past 10 years. In 2018 the industry's total market was worth 151.9 billion dollars. It is calculated to grow even more. In 2021 it is expected to hit 180.1 billion dollars (Wijman and 2018, 2019<sup>1</sup>). When comparing these numbers to other entertainment industries they really shrink in comparison. Globally the music industry revenues totaled to 17.3 billion dollars in 2017 (Ifpi.org, 2018), 2017 the Global box office revenue was marked up to 40.6 billion dollars (Statista.com, 2019). Both of these industries are facing big problems due to digitalization and their late adapting to it. Both of these industries have had a slowdown in their growth in the past years where as videogame industry has had major growth. As Videogames continue to advance it might continue to surpass the movie industry and become the dominating entertainment industry.

### 3.3 How these factors are used in a video game company?

With this question the thesis will try to obtain information about one specific company and will observe on how this company is utilizing the current situation within the industry. In this chapter the thesis will try to reflect and compare how this company has used its resources and how it has used the growth factors to its gain.

## 4 Deciding factors of the growth

### 4.1 Mobile gaming

Earlier in the thesis we covered some basis for the mobile gaming and how it has grown. In this section we will dwell deeper in to the mobile gaming on how and why it has increased and seized the videogame industry from consoles and PCs.

Mobile gaming used to be seen as a joke among the industry and its target audience. Mobile gaming was associated with being nothing more but a small gimmick that the users of the mobile phones could spend a few minutes while being idle. Games like Snake, mobile version of Tetris, Angry birds and others. These games were really the first ones that captured the new possible audience and introduced the world of gaming to them. As the games often came for free or with very low-price tag to the owner of the mobile phone there really was no major barrier of entry for the new users. Because of this a lot of customers outside of the usual demographic of “gamers” appeared. In this new era of videogaming the videogame markets games are more and more frequently targeted to this new gaming demographic “casual gamers”. More about this new demographic further on the thesis.

During the early 2000 or even the late 2000 the hardware for phones was clearly the restricting factor on this. Now in the 2010s the hardware of the smartphones has ever increased, and the game industry noticed this as well. In 2014 the mobile gaming market was really starting to soar as it reached \$25 billion dollars, up by 42% from 2013, \$18 billion dollars (Newzoo, 2014). As the hardware of the phones was improving, game developers were given more opportunities to develop the games designed for mobile devices. Before the games had been mostly puzzle games and very simple platform games. Now however companies like Bluehole and EPIC games are pushing this much further by both introducing their Player Unknowns Battle Ground or PUBG and Fortnite to the mobile devices. Both titles had previously been only available for PC and Consoles. The capability of mobile phones may only increase as these are really the first fully PC/Console games that have been brought to the mobile successfully in terms of both economically and by performance. These kinds of ground-breaking pushes by the companies will advance the technology by creating an ask for top quality gaming on mobile devices.

China has been the fore front of the mobile gaming ever since smartphones have been around. China has 619.5 million players which spent \$37.9 billion in 2018, this makes it the biggest videogame market in the world. Of these \$37.9 billion mobile games cover \$23 billion (Newzoo, 2018<sup>2</sup>). According to IMF, China's Game Publishing Committee and Gamma Data, a third of Chinas population is a mobile gamer, 459 million players (Leung, 2018). According to Statista, the number is even higher, 2017 it was calculated to be 544 million and the estimates for 2018 were 565 million and for 2019, 586 million (Statista, 2019). This enormous online population is one part of the reason why the mobile gaming industry and the whole gaming industry has seen such steep climb in numbers. 94% of the paying gamers are actively spending money on in-game items or virtual goods, these are also known as microtransactions, which will be covered in this thesis (Newzoo, 2019).

Developing worlds in east and south-east Asia have seen a major growth in their videogame industries and revenues in the past years. Mobile gaming especially is on the rise. Question rises why is this happening Asia and more specifically in China? One of the major reasons for this mobile gaming boom is the convenience. The Chinese gamers can game on the run and they don't have to invest big amounts of money to consoles or PCs. The large amount of people who can't afford these expensive gaming PC rigs and consoles most likely have a smartphone already that they can game with. So already the target audience is much larger than on PCs and consoles. This kind of similar rise has been seen in many other low-income 3<sup>rd</sup> world countries, such as India where the mobile gaming revenues for 2018 were \$821 million. However according to Statista, the growth has stagnated and has slowed down in the past years and it is forecasted to slowdown even more. Still the revenue growth is expected to be 23.7% in 2020 (Statista, 2019). In Indonesia we can see similar kind of trend compared to India. Revenues in Indonesia for mobile games in 2018 were \$571 million, with 9.5% revenue growth forecasted for 2019. In 2019 the forecasted \$934 million of the whole videogame market revenue in Indonesia is made up by \$624 million of mobile gaming revenues. That is 66% of all the gaming revenue in Indonesia (Statista, 2019). With these figures we can clearly see that the rise of mobile games in 3<sup>rd</sup> world countries and 2<sup>nd</sup> world countries can be traced back to them being much more convenient and cheaper.

Games like *Honor of Kings* made by the tech giant Tencent have realized the value in mobile games in Asia. Most of the mobile games that draw vast amounts of customers are online games, where the player is up against different players across the world.

These games are relatively new to mobile devices. As mentioned before *Honor of Kings* is one of the biggest mobile games even though 96% of its revenue is coming from China. Since its launch in 2015 *Honor of Kings* has gathered more than \$3.5 billion in revenues, of that only \$140 million is outside of China (Harris, 2019). Tencent has introduced the integration of the game into the Chinese social media application *WeChat*. By making this, the game is even easier to access, and it makes playing with your *WeChat* friends possible. Tencent has been able to recreate the things that made PC games such as *World of Warcraft* and other MMOs (Massively Multiplayer Online Game) so popular in the past and transferring these aspects into mobile games. These games are highly addictive and time consuming. The games tap into the brain's reward system. Feeling success in the game releases high amounts of dopamine which in case gives the player the sense of happiness and rush (Pang, 2017). Overtime the player comes addicted to these dopamine rushes and thus addicted to the game. In addition to this there is a lot of competition (Esports), which in turn also advances the desirability of these games.

Mobile gaming has grown exponentially during the past few years. As explained on the chapter this is due to many reasons, availability, price, growing middleclass in developing countries etc. According to researchers this growth will continue. The video game industry might have to remold itself to provide the new mobile gaming needs. Most definitely we will see a lot more triple-A mobile games with a lot invested into them.

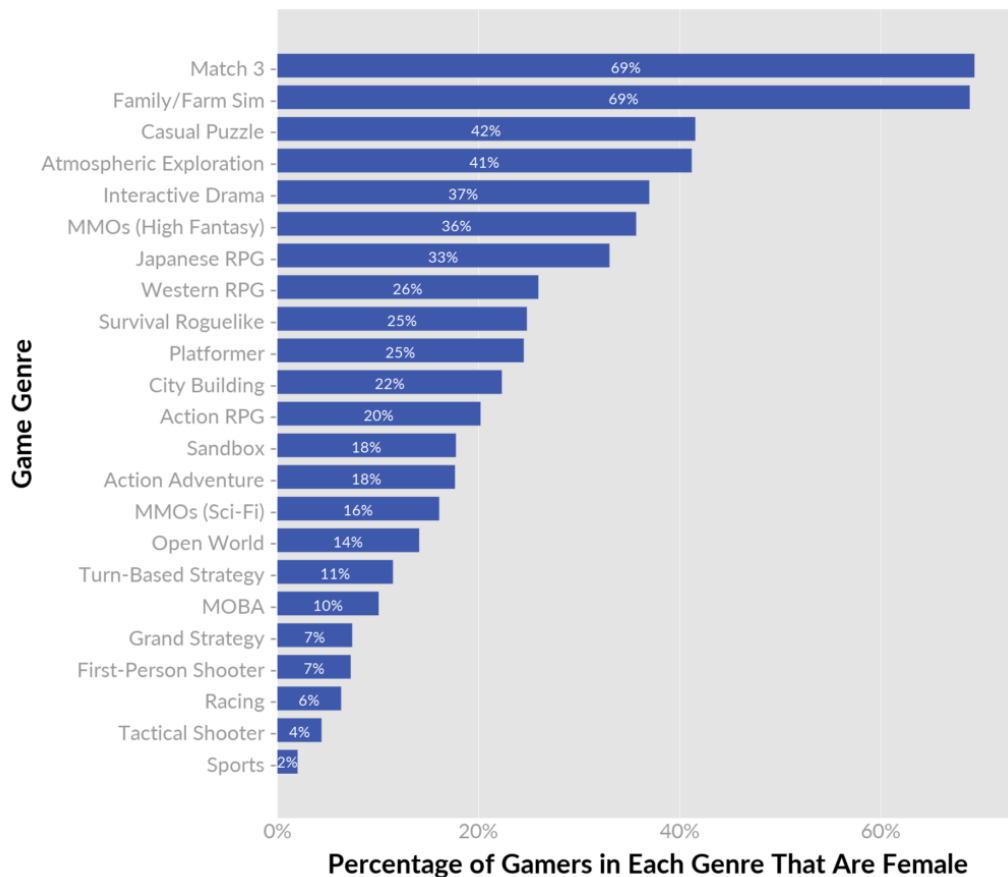
#### 4.2 New target audience

The mobile games and other more casual gaming modes have succeeded in tapping in to the non-gamer customer base and making them into "casual gamers". By making this they have increased their customer potential by millions. With the rise of mobile games there has been a new wave of potential customers for games. This new audience is often labeled as "Casual gamers". Casual gamers are the big masses that enjoy their games without them investing significant time and effort. This target audience plays more irregularly and more spontaneously than the "hardcore gamer" who invests large amounts of time into gaming (Computerhope.com, 2018). These casual gamers usually gravitate more towards mobile games and other more easily approachable gaming titles. Games like *Angry Birds* and *Candy Crush Saga* are a few examples from mobile games. In console platforms the gaming is often seen as casual, *NHL* franchises and fast paced FPS (First-person-shooter) games like *Call of Duty*, these kinds

of games have a heavy gravitas for casual gaming, even though some of these games have a high hardcore gamer/pro community as well.

The industry has found its way to attract these more casual gamers to their games. Historically games have always had a set price, ranging from \$30-\$80 a non-gamer is not likely to purchase something that they are not that much into. This model of pay-to-play (P2P) is slowly changing to free-to-play (F2P) model where the game is free to download and to play. With this model the customer does not lose anything if he buys the game and if he/she enjoys the game he/she will continue playing it and most likely spend some money on the in-game store. This is where microtransactions kick in (These different business models and their advantages will be discussed more in-depth later on.). With these in-game purchases the customer can purchase different types of in-game items. In many cases these in-game purchases make the game easier and more enjoyable for the gamer in these cases the game is often labeled as pay-to-win as you can make your gaming easier by paying for it. A casual gamer who is not that invested into the game time wise, can still be “the best” in the game by buying different kinds of products from the in-game store. As people have a psychological need to try to improve themselves and to be good at something, this kind of buying yourself to better yourself in the game really takes an advantage of that (Reeves, 2012).

As of now, women who have historically not been the demographic for videogames makeup almost half of the total video gaming population. This truly shows us that the videogames have entered into mainstream and are not only seen as something that teenage boys waste their time on. In 2018 it was calculated that women accounted for 45% of all gamers in the United States. This similar trend can be seen worldwide (Statista, 2019). When looked deeper into these gamers we can see major differences between male and female gamers. Mobile gaming is popular among both genders, 52% of the mobile gaming community is men and 48% women. However, when it comes to more committed gaming with PCs and consoles, we start to see differences. According to a Newzoo study, 48% of all men that participated in this specific study play on PC and 37% play on consoles. Study shows us that women had 35% on PC gaming and 23% on console gaming. When asked if they see themselves as “hardcore” gamers 70% that answered “yes” were male. With these statistics we can see that the rise of female gamers has a direct correlation into the rise of “casual gamers” as a large part of this community is female (Osborn, 2019).



*Figure 1 Percentage of Gamers in Each Genre That are Female (Yee, 2019)*

By going even more in-depth with the differences on female and male gaming we can see the analytical study of Nick Yee in which he shows us percentages of gamers in different game genres. With the graph from Nick Yee, we can see that 69 percentage of gamers that play “Match 3” games (Bejeweled, Candy Crush Saga, etc.) are women, as well as in “Family/Farm simulators”. When we go down the graph, we can see that percentage goes lower as we start to see more “hardcore” gaming genres (Yee, 2017). Again, we can see that majority of female gamers are indeed “casual gamers”. Videogame companies have noticed this as well. Videogame companies are actively trying to encourage these casual gamers into becoming more invested in their games and thus turning them from casual gamers in to more hardcore gamers, and more active paying customers.

As explained in the chapter the demography for gaming is growing by the year. This expanding of the video game culture to the mainstream will most definitely give the companies operating within the video game industry a boost in both revenue and in customers. Video gaming becoming mainstream will have some major impacts to the



culture of video games, the change in the demographic and customers will most likely play a major part in this.

#### 4.3 New Freemium Models

A major factor in the growth of the industry has been the new types of business models. As previously already mentioned free-to-play models and other freemium based models have had a major success in the past years. Before the introduction of the freemium models, the customer always had to buy the game first, this obviously limited the number of customers the companies would gather. During the 2010s a major part of the gaming industry has started to lean towards different kinds of freemium models. When comparing the F2P model to the P2P model there can be seen a major revenue gap. In 2016, F2P games gained \$17.1 billion in revenues when P2P revenues were calculated in merely \$2.8 billion. These kinds of numbers have shocked the industry and forced all companies to adapt to these new models. Most of these new models depend heavily on the revenues gained from the user's in-game purchases or microtransactions (Clairfield International, 2018). Many game developers have been forced to apply microtransactions to their games, according to Rob Jones a senior producer in *NBA 2k19* microtransactions are "an unfortunate reality of modern gaming". Developers who don't want to apply microtransactions to their games, may lose millions in revenues (Sinclair, 2018).

F2P and other freemium models rely heavily on their microtransactions. As the games are completely free to download this is their only source of revenue. Microtransactions are small money in-game purchases for various in-game items. In most of the F2P games these microtransactions are not mandatory for the player, however they are still heavily incited on the user. Majority of the microtransactions are cosmetic in-game items. With which the user can change the appearance of his/her character. However, in some games there are microtransactions that interfere into the gameplay, most often these games are labeled in the gaming community as "Pay-to-Win" games, as the user can spend real currency to make his/her character stronger in-game. This kind of microtransactions can be very lucrative revenue wise to the game but it can also be very harmful to the game's community and to the reputation of the developer. Giving a player an unfair advantage only because he/she has spent more money into to a game can easily divide the community and it may have serious consequences to the reputation of the game and to the company.

Microtransactions can and should be divided into different categories as the microtransactions business model vary from game to game. Gabe Duverge, from Touro University suggests four categories;

1. In-Game Currencies: as the name already implies in this model the user exchanges his/her real currency to in-game currency with which the user can then buy different kinds of in-game items. Most commonly seen in Massive multi-player online games (MMO).
2. Random Chance Purchases: "Loot boxes", "Mystery chest", "Loot cases". There are different kinds of names for these depending on the game. These digital boxes operate in the same way as lottery tickets. User buys a loot box in hopes of a good in-game item, but as with lottery tickets the percentages of winning are extremely thin. These loot boxes have had a major backlash in recent years. More on loot boxes and gambling further on the thesis. Seen in games such, Counter Strike Global Offensive, League of Legends, Call of Duty, etc.
3. In-Game Items: In-game items that the user cannot obtain for free, these items often make the game easier. This types of microtransactions often make the game "Pay-to-Win" as earlier discussed. Many games use this method, mostly used on single player games as there the consequences of pitting players against players is not a threat.
4. Expiration: Often found on mobile casual games. For example, the player has set amount of time or "lives" to complete a level within the game. If the player is not able to complete the level with all "lives" remaining or the timer runs out, the player needs to wait an X amount of time until he/she can try the level again. With this microtransaction however the player can skip the waiting time and try the level again. Often used in "match 3" type of games like, Candy Crush Saga, etc. (Duverge, 2016)

These four categories define how the microtransactions work within the games.

With microtransactions the gaming industry has tapped into the human psychology and impulse buying. Impulse buying can be defined as a purchase that is performed suddenly, without a strong factor of consideration, thoughtfulness or planning (Sharma et

al, 2010: 276-283). According to Verhagen and van Doulen (2011) 40% of shoppers can be labeled as impulse buyers. With this number in mind it is no wonder that impulse buying is happening in such large quantities in videogames. In-game stores feature large quantities of different in-game items that are only a click away from. This ease of purchase takes away a lot of time that the customer could be using considering the purchase. Most of the in-game store products are very low price, which is of course typical for microtransactions, this makes it easier for the user to purchase them as it is only 99 cents. These in-game stores are using the same tricks that almost all retailers across the world use, one of them being the “The left-digit effect”. The left-digit effect is simple trick where retailers use \$0,99 format instead of \$1,00 and making the price seem lower than it really is. These psychological tricks can be of danger to some individuals especially to children and youngsters (Madigan, 2013).

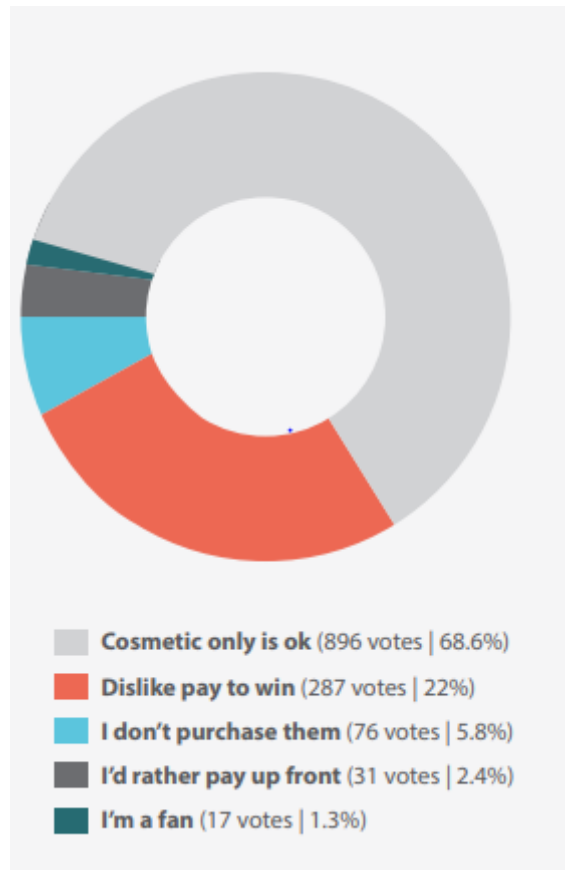


Figure 2 what do you think of microtransactions? (Gaming Today, 2018)

Most of the F2P game users never *actively* participate in microtransactions. However, according to Gaming Daily report by Qutee, based on online discussion declares that only 6% of gamers *never* spend any money to their videogame. In this study the audience feedback was very mixed on the topic of microtransactions only 6% of the answerers answered that they never use any in-game purchases. Major part of the answerers 69%, thought that in-game purchases that only had cosmetic value in-game were fine. The setup of the study has some limitations as the sample size is only 1 307 poll answers and almost 2000 comments whereas the gaming community has more than 2,3 billion active members (Wijman, 2018<sup>2</sup>). However, this study does give us some idea on how gamers think about microtransactions and how the balance between the customers and companies can be found. According to study by Swrve in 2014. 50% of the revenues in F2P games is derived from 0.15% which is even smaller than most calculations. The study had only one month worth of data which could explain the results of the study (Swrve, 2014). However the study does give a lot of signs on how only a small percentage of the users provide the revenue for the games. These individ-

uals are often labeled as “whales”. These “whales” are spending large amounts of money into these videogames and sustaining the whole community.

These “whales” are often seen as gambling addicts and some of these games could be abusing this. Some games have been focusing their microtransactions almost completely to “loot boxes” which can be seen as gambling. These loot boxes are a form of lottery where the user pays real currency for a chance to win luxury in-game items. These games have attracted millions of users. According to UKs Gambling commissions “Young people & Gambling 2018” research in Great-Britain, close to a million youngsters admitted that they had purchased loot boxes online. The Commission stated that these loot boxes “blurred the lines between gaming and gambling”. (Gambling Commission, 2018). In US the loot boxes in videogames are being investigated by the United States Federal Trade Commission, as the loot boxes are a way to market gambling to children and youngsters. All over the world loot boxes are being investigated and also completely banned. In Belgium and Netherlands loot boxes have been deemed illegal as “in violation of gambling legislation” (Gerken, 2018).

Even as microtransactions have become extremely profitable and successful in the videogame industry, they are met with a major resistance from the gaming communities. This is to be expected as the companies are still finding the perfect balance where they can profit and keep the audience happy. Companies like EA, Activision-Blizzard and others have all seen the setbacks that the communities can have on a game that has too aggressive microtransaction model. In late 2017 EA was set to launch its highly anticipated *Star Wars Battlefront 2*, the game included a very aggressive type of microtransaction model. Game included loot boxes which not only made the game very imbalanced but encouraged the players to gamble on very thin winning margins. The gaming community blowback due to these features made EA to remove microtransactions from the game altogether (Taylor, 2017). In a press release EA stated that they had misjudged the situation and would be listening the community more closely now and would be more careful with the microtransactions in the future (Gabrielson, 2017). This event was one of the major reasons why Belgian and Netherlands government started investigating on the harms of loot box gambling and eventually banning these features in their nations. This controversy has sent a clear message to the videogame companies about the excess use of microtransactions. Because of this loot box controversy, several companies have had to remove their microtransactions from their games altogether as other companies have just removed the ability to purchase them from

Belgium and Netherlands (Taylor, 2018), (Handrahan, 2018). Due to these controversies, EA was forced to stop selling its highly profitable *FIFA* loot boxes. EA still declares that these *FIFA* microtransaction are definitely not gambling (Mc Shea, 2018). This statement did not help the company as the Belgian government was setting up to file a lawsuit against EA. Eventually in early 2019, EA finally gave in and removed the ability to buy these microtransactions within Belgium (Orland, 2019). These series of events have awoken the question worldwide if loot boxes are gambling and should they be banned or more closely regulated. Especially in EU loot boxes are seen as a major threat. In 2018, 15 gambling regulators decided to start collaborating to combat against gambling within videogames. Regulators signed a joint statement expressing their concerns and troubling views on loot boxes and other similar microtransactions. Collaborators include high ranking state members and gambling commission members (Kent, 2018). Time will tell if more countries decide to take the same route as Belgium and Netherlands or will they stay as the sole fighters against the ever increasing wave of microtransactions.

The new business models created around video games have had controversial reception. These business models will mold over time, and the companies will find the balance between happiness between customers and shareholders. In the meantime video gaming community will have to bear the bad business models and to give the companies their feedback with their voices and with their wallets.

#### 4.4 Digitalization

During the late 2000s videogame industry was one of the first industries to notice and embrace the future of digital entertainment. Whereas other entertainment industries still struggle on the transformation from physical to digital, videogame industry is becoming fast almost completely digital. For example, in music industry the digital music share of global revenue passed for the first time the 50% mark (IFIPI, 2018:10). Majority of video game industry's revenue and products have been digital for a while now. In 2016, 83.6% (\$83.2 billion) of the global revenue of video game markets were generated solely from digital sources. Digital sales have helped the industry immensely especially in more poor countries where physical sales were never a viable option. Countries like china are again on the fore front of these digital sales. China alone gathered \$23.7 billion from the digital sales, making it the biggest digital videogame market. 97% of China's game revenues come from digital sources, making it the biggest on that aspect as

well. China is by far the most digitalized country on these merits and a major innovation leader to the industry. Already established gaming countries like Japan, Germany and other western countries have been slower to adapt to digital sales as the consumers still prefer the physical box (Newzoo, 2017). In time, this old trend will change, change is always a slow process. Therefore, new countries to gaming are passing the older ones in digital sales. These figures from Newzoo were from 2017. We can see some progress when comparing UKs 2016 digital sales to 2018 sales. In 2016 UKs gaming market yielded £3.2 billion from physical and digital games, hardware sales are left out on this comparisons. Of that £3.2 billion, £1.22 billion were generated by digital sources. With these numbers, in 2016 UKs digital video game revenue was about 38% (Dring, 2017). Now when comparing to 2018 videogame sales we can see a large increase in both the whole revenue and in digital sales. In 2018 UKs video games generated £3.864 billion, of this digital sales accounted for over £3 billion with these numbers about 80% of the gaming market in UK is digital. There has been a major movement towards the digital market in the past few years (Dring, 2019). According to analysts Michael J. Olson and Yung Kim from *Piper Jaffray* by 2022 the videogame market will be almost exclusively digital (Palumbo, 2018). This statement could be very true when observing the current climate of the videogame industry and customers who are ever more inclined on using digital sources to purchase their entertainment. This kind of trend will most likely happen to all entertainment industries, as video game industry is a pioneer in this field it will most likely to be the first to come close to the 100% mark.

Valve has been a pioneer in the digitalization of the industry as previously already observed in chapter 3.1. Steam platform has seen many rivals over the years trying to copy its success and trying to win over audience to use these new online-marketplace platforms. Steam's biggest rivals at the moment are Origin, GOG, U-play and the late 2018 launched Epic Games Store. None of these can really be compared to Steam as of this moment. Valve was ahead of their time in 2003 when they launched Steam, only in the early 2010s other companies begun to start emulating their business model with varying successes. To the whole industry as a whole, the growing number of digital distribution platforms is a good sign. As the digital shares of the gaming industry's revenues nears the 100% the industry will need more dependable platforms for all the customers and games. This is something that Epic games are trying to establish with the new Epic Games Store. Even with the controversy among the gaming community about Epic Store exclusive game deals the CEO of Epic Games states that the new digital store is going to improve and better the industry (Batchelor, 2019). Monopoly is

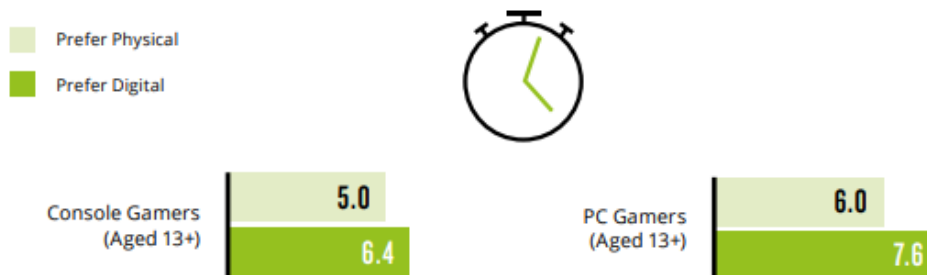
rarely good for any industry or system, by creating a sustainable competition the industry will keep bettering itself and will not stagnate as it now has with Steam. These changes are big to the community as majority of the community has been used on using only one main digital store platform (Steam). Change is always a difficult thing, especially for large groups of people. This change is no exception. The launch of Epic Store and its exclusive deals has already received a lot of resistance from the community. This resistance will eventually die-out and even the most vocal resisters will most likely see that these changes are for the good of the industry (Gault, 2019).

Digitalization has long been seen on PC videogame market. During the past few years however it has transferred itself slowly to the more casual console gaming market. Both of the top consoles Xbox and PlayStation have their own digital marketplaces built in to their respective consoles. Historically and still a majority of console gamers prefer physical copies of their games rather than downloading digital copies. According to analytical company Nielsen in their annual games 360 report, they reveal that even in 2018, 66% of console gamers prefer physical copies over digital copies. This number sets console gamers far apart from PC gamers from whom only 29% preferred physical copies to digital. According to the report, gamers who prefer digital purchases tend to spend more time gaming (Nielsen, 2018:13; McAloon, 2018).



## WEEKLY GAMING HOURS – OVERALL GAMING TIME

IN A TYPICAL WEEK, HOW MANY HOURS OF YOUR LEISURE TIME DO YOU PERSONALLY SPEND ON VIDEO GAMES?



## MONTHLY \$ SPEND ON VIDEO GAMES

IN A TYPICAL MONTH, ABOUT HOW MUCH MONEY DO YOU SPEND ON VIDEO GAMES?

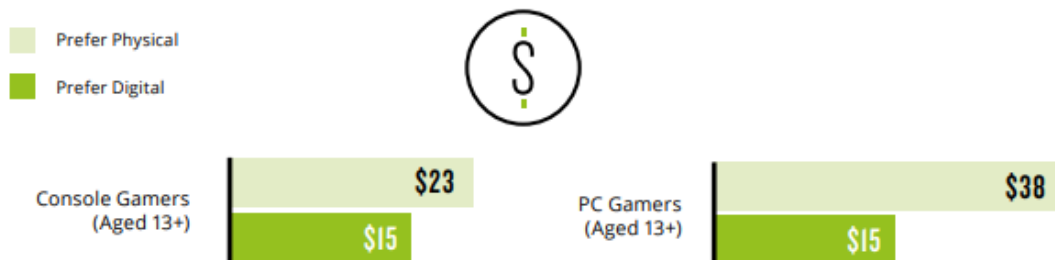


Figure 3 Monthly \$ spend on video games (Nielsen 2018:13)

This could suggest that most of the casual gamers are still to adapting to the digital purchasing of games and feel more comfortable buying their games physically from a real store rather than from a digital store. However according to the study we can see that PC gamers who prefer to purchase physical are spending on average \$38, and console gamers \$23. This however is most likely the cause of the games being more expensive in physical stores. Main reasons for this huge gap between PC gamers and console gamers is that digital stores are still quite new to consoles, where PC has had Steam and other digital stores since 2003. It was in 2006 that Sony released PlayStation 3 (PS3) where they introduced the PlayStation store or PlayStation network, where the user could buy digital copies of games. However this launch was not very successful as not all games had their digital versions and the success of the digital distribution was a lackluster. It was only in 2013 as PlayStation 4 (PS4) was introduced

that the digital sales started to rise (Osati, 2018). In 2016 Sony released that 27% of its PS4 software sales were from digital sales. A steady growth from earlier years. In 2017 the growth continued as Sony declared 32% of PS4 software sales were made digitally (Sony, 2018). This growth is expected to grow as the console gamers and more casual gamer steadily continue adapting to the digital stores.

Video game industry has been one of the pioneers of digitalization. This is a big reason why the industry is enjoying such growth. As explained on the chapter, the industry is seen to become fully digital by 2022. If this is to happen, this will give the industry a big advantage compared to other entertainment industries which still heavily rely on physical copies of their products.

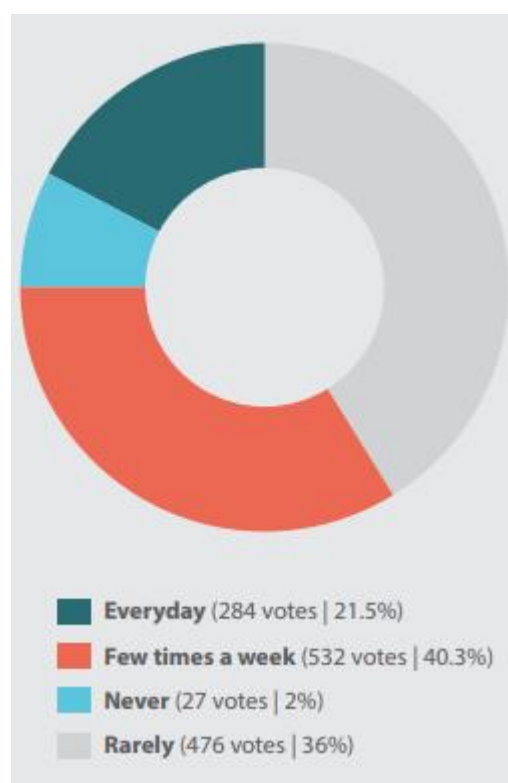
#### 4.5 Streamers and influencers

During the 2000s a new form of celebrities and youth idols have emerged from the internet world. Internet video and live-streaming platforms like Youtube and Twitch have started to replace the older entertainment media. Youngsters are more and more drawn into these new types of celebrities. In the industry of video games, most of these influencers and celebrities are YouTube personalities who play videogames on their channels, Twitch live-streamers who live-stream videogames on their channels and esports players who compete professionally in different esports titles such as Counter Strike Global Offensive, DOTA2, League Of Legends and many other. In the 2010s video game companies have started to take advantage of these now popular new celebrities by using them on their marketing.

Twitch streamers such as Richard Tyler “Ninja” Blevins, Michael “Shroud” Grzesiek and Jaryd “Summit1g” Lazar, make their living by live-streaming videogames to their astoundingly large audiences. In 2018 Alone, Blevins gathered over 354 million unique views (TwitchTracker, 2019). In 2018 Blevins hit his all-time high viewership, 627,784 concurrently (Twitchstats, 2019). These numbers are a goldmine to any company that wants to advertise something to a very large gaming audience. For example in early 2019 EA was set to launch its new battle royal type FPS game *Apex Legends*. During the launch, EA sponsored several streamers to promote and to play the new game. According to Reuters, Blevins was paid around \$1 million to play Apex on stream (Panchadar, 2019). These promotions had a huge impact on the games launch and popularity, as gamers saw their favorite internet personality playing and hyping the game.

Similar to streaming in its nature and its impact on the industry are the Youtube “let’s play” videos. In these videos the content creator simply just plays a video game and reacts to it often capturing the reactions with a microphone and a camera. This is almost completely the same as in twitch live-streaming but without any instant interaction with the content creator and the community. Similar to the Twitch streamers these Youtube content creators are also approached by number of companies looking to market their products through YouTube personalities. This kind of marketing is far more superior to other older media outlets when talking about this demography. This new influx of money investment into the industry from other industries is making the gaming community and industry to grow ever more.

According to a report by Qutee, Gaming Today, approximately 21% of gamers view gaming streams every day and only 2% of the voters never watch any streams. From this study we can assume that the majority of active gamers do indeed regularly follow live-streams (Gaming Today, 2018). The growth of live-streaming is still on going. In 2017 Youtube Gaming, Googles equivalent to Twitch grew its monthly active streamer



*Figure 4 how often do you watch gaming streams? (Gaming Today, 2018)*

base by 343%. The dominant force in streaming websites Twitch in comparison grew 197% (Hicks, 2018). These markets are still growing rapidly and they are already making a lot of positive impacts to the gaming industry.

Streams make many of these games more accessible for the audiences, they make the viewer a part of a community which in hand encourages the viewers to play these games. Many of these streams and streamers are revitalizing some older games and giving some newer games a large amount of promotion, as was done with *Apex Legends*. Some of this is done due to the streamer being sponsored by the company in question or they are organically playing the games and raising awareness on some less known games, which might in turn raise the productivity and player count of the game in question.

#### 4.6 Esports

Similar to the previous chapter which talks about the positive reach influencers, content creators and streamers have on the industry, this chapter will talk more in-depth about the impact of esports to the industry and how it can give the industry even more pull.

Competitive gaming, more familiarly known as esports is a new type of “sport” in which electronic athletes compete in professional level. There are several sub-genres of esports for each game that has created a pro-scene within their game. Most followed and most interesting esports titles are the following: Counter-Strike Global Offensive (FPS(First-person shooter)), League of Legends (Multiplayer online battle arena (MOBA)), DOTA 2(MOBA), StarCraft 2 (RTSg (Real-time strategy game)), Fortnite (BR (Battle royal) and many others (Esports Earnings, 2019). These online and offline competitions are followed by millions just like any other regular sport and the following is increasing in a rapid pace and it is slowly passing regular sport titles in viewership’s. For example, according to Statista, in 2018 esports gathered 173 million regular viewers and 222 million occasional viewers. These numbers are expected to grow to 297 million and to 347 million by 2022 (Statista, 2019<sup>4</sup>). Research done by Goldman Sachs concurs with these numbers as their statistics show, that in 2022 the estimated size of esports audience is 276 million which is closely comparative to the size of the audience of NFL today (Goldman Sachs, 2018:3). With these growing viewer numbers, the revenue is expected to grow as well. According to a study lead by Juniper Research, the revenues from esports and other content creators are calculated to reach \$3.5 billion in

2021 a large portion of this is driven by an increasing spend on advertisement (Juniper Research, 2017). In comparison in 2017 the revenue from esports was \$655 million (Goldman Sachs, 2018:4). As the viewership will keep on increasing so will the ad revenues as well. In 2017 and 2018 esports in Finland have gained a lot of press coverage and attention. In 2019 study, Sponsor Insight revealed that men in the ages of 18-29 saw esports as the most intriguing sports. 53% of the study group were in favor of esports as 52% were in favor of ice hockey (Sponsor Insight, 2019). With this meteoric rise in popularity among young men, it is safe to assume that the hype surrounding esports is not dying down anytime soon. As the esports scene is still in its early infancy the monetization of the industry is also very low compared to big sport leagues such as NBA or even NHL (Goldman Sachs, 2018). However, because of this the esports competitions and leagues are much more accessible for the audiences. As of right now almost all esports competitions are live-streamed for free through the internet. Again, comparing to other traditional sport leagues and competitions the viewer almost always needs to buy a viewing pass to view the game. In short-term this does hinder the monetization of the sport but in long-term this brings large amounts of viewers, especially younger viewers who may in the future be paying viewers. As the fan base and community of esports continues growing so will the gaming industry as a whole. This large growth has had and will have a direct impact to the gaming industry and to the gaming culture as a whole as video games continue to become more mainstream.

More and more traditional sport organizations and teams are starting to invest into esports. Traditional sport organizations have realized the potential that esports presents. The sport organizations see that they can rejuvenate the interest to their own organization by branching into the esports scene which is filled with youth. In 2016 the Philadelphia 76ers became the first North American professional sports team to own an esports team. 76ers Acquired team Dignitas and Apex (Rovell, 2016). After this, other big professional sport teams have acquired or created their own esports teams. Big European football organizations like the German football club Schalke and FC Barcelona have both invested into esports and created their own esports teams. FC Schalke has built their own League of Legends team to support their already existing esports division which consists of their teams in FIFA and Pro Evolution Soccer. FC Schalke states that their goal is to strengthen their position as a pioneering football club in the esports scene and to become Europe's leading club with its own esports division (FC Schalke 04, 2019). Just like FC Schalke, FC Barcelona has created their own Pro Evolution Soccer team. With their PES team, they just recently revealed their expansion into a game

called Rocket League in which they have acquired a team. Barcelona sees that with this new Rocket League roster they can gain more fame and attraction in the esports scene (FC Barcelona, 2019). This surge to the esports scene is happening in Finland as well. Major Finnish sport organizations like HIFK, Lahden Pelicans and SuperJymy have all attained their own esports brands or are in partnership with one. Owning an esports division is slowly becoming a standard with sport organizations as esports keeps on growing and surpassing traditional sports.

Even world-famous celebrities, like three-time Grammy award winner, The Weeknd have decided to invest into esports. Abel “The Weeknd” Tesfaye invested in April 2019 to a Canada’s leading esports organization, Overactive Media. With this partnership Tesfaye will become a global ambassador for Overactive’s esports teams. This kind of spotlight and recognition is just what these esports organizations need to grow and establish themselves. Tesfaye describes himself as a big esports fan (Senra, 2019). These big celebrities that are advertising esports and gaming are bringing large amounts of new viewers for esports which in hand can increase the sales of the esports-type games. Another big ambassador for esports in the recent years has been the famous Brazilian football player Neymar Jr. Neymar Jr. has repeatedly shared content about esports on his Instagram account on which he has over 113 million followers. Neymar is acting as an ambassador like Tesfaye and giving esports and gaming a large new audience (Porter, 2018). Lately, these big influencers who are enjoying and investing in esports and gaming have been one of the greatest assets to esports and to the whole videogame industry.

Esports are most definitely the sports of tomorrow. The growth has been astounding in the recent years. In 2019 the esports industry will reach \$1.1 billion according to Newzoo. The yearly growth for the industry has been 26.7% (Pannekeet, 2019). With these numbers the youth are transitioning from watching traditional sports to watching esports in masses. The traditional sports organizations have realized this and have begun investing in esports which is still in its early years. As shown on the chapter, the sports organizations are trying to gain the interest of the youth who are following esports as a way to expand their business and to keep them relevant in the coming years. However, as said, the industry is still in its infancy and will take some time for it to reach its peak where it will overshadow the traditional sports altogether.

## 5 In-depth company view, Electronic Arts

This chapter will observe one of the largest video game company, Electronic Arts. Chapter will give a more in-depth look to the business model and the workings on the company. Closer analysis on how the company has utilized the factors that have enabled the growth of the industry, which have been discussed earlier on this thesis

Electronic arts are one of the most influential videogame companies as of now, according to Newzoo in 2018, EA was number eight in total revenue (\$5,150m) of all the video game companies. They were surpassed by the likes of Apple (\$6,918m) Microsoft (\$6,225m) and the industry leader Tencent (\$15,092m) (Newzoo, 2018). EA's net revenue has been on a steady rise for years now. Compared to 2017 they increased their revenue by 6% or \$305 million (EA, 2018:33). This rise is most definitely thanks to their growing digital and "live service" sales.

EA's strategy for a while now has been to target into the ever expanding microtransactions or extra content business. Even though they have been hit by major setbacks because of too aggressive microtransactions tactics they are not giving up on their strategy. EA's CFO Blake Jorgensen was adamant about this "We're not giving up on the notion of MTX. We're learning and listening to the community in terms of how best to roll that out in the future, and there's more to come as we learn more. But I would say we're certainly not changing our strategy..." (Purchase, 2017).

	Year Ended March 31,			
	2018	2017	\$ Change	% Change
Full game downloads .....	\$ 707	\$ 659	48	7%
Live services <sup>(a)</sup> .....	2,083	1,589	494	31%
Mobile .....	660	626	34	5%
Total Digital .....	\$3,450	\$2,874	\$ 576	20%
Packaged goods and other .....	\$1,700	\$1,971	(271)	(14)%
Net revenue .....	\$5,150	\$4,845	\$ 305	6%

Figure 5 Net revenue by type for fiscal year 2018 and 2017 (in million) (EA, 2018:34)

It is no miracle that they are not backing off from microtransactions. In 2018 40% of the net revenue of EA was comprised of "live services" which again are comprised of dif-

ferent microtransactions and other digital subscriptions. EA's biggest cash cow FIFA totalled 11% of the net revenue from 2018 (EA, 2018:4). FIFAs Ultimate Team (FUT) mode is the most lucrative live service EA has got. FUT gives the player a chance to build their own dream team and to play with it. The player can unlock new and better players by opening random packs of players (loot boxes as spoken earlier in chapter 4.3). These packs are bought with FIFA coins which can be attained by playing the game or by purchasing them with real currency. The game mode encourages the players to spend more money on the packs as the more expensive packs include better and more rare players (Nelson, 2018). This mode has been included in FIFA games since 2016 when EA introduced it. Since then it has proved to be very profitable. FUT alone represented 16% of the net revenue in 2017 and in 2018, 21% (EA, 2018:4). As we can see the microtransactions business is booming even though EA had major failures earlier with the Star Wars Battlefront 2 (see chapter 4.3) launch and microtransactions. EA is currently trying new types of models to try and recreate the same type of success formula that they have managed to create with FUT. EAs CFO Blake Jorgensen is very confident that the "live service" margins are going to increase even more in the future (Handrahan, 2017).

By looking at the figure 5 we can see that actual videogame sales comprise only about half of the net revenue for EA. Companies like EA are more and more unlikely to make big new IP videogames. The expenses of making big new triple A games that have no guarantee of making their money back are now days a big risk to the companies and the main reason why new IP games and triple A games in general are seen less and less (Maiberg, 2016). Companies like EA are making 40% of their money with already existing games and IPs, according to their CFO that this number is going to increase even more in the coming years.

Just as EA has done with new and old microtransactions they are more and more digitalizing their businesses. In 2017 digital revenue covered 59% of the \$4,845 million. In 2018 the figure had grown 20% to cover 66% of the whole net revenue. This transition to digital can be seen as the physical goods sales decrease. The Physical goods sale decreased from 2017 to 2018 by 14%, from \$1,971 million to \$1,700 million (EA, 2018:34). These numbers conform on the forecasts that by 2022 the industry will be fully digital (Palumbo, 2018). This rise in digital is no coincidence, one of EAs three "strategic pillars" is "commitment to digital". For video game companies this change from physical to digital is a major win. Digital products tend to have much higher gross



margin relative to packed goods revenue. With digitalization of their products EA can cut off the 3rd party retailers and focus on selling their digital products in their own digital store Origin (EA, 2018:3).

With the growing market for mobile games and other free-to-play models, EA has declared that they are invested on increasing their share on these markets. Historically EA has been a market leader in mobile gaming and its mobile gaming revenue growth was soaring in the years 2011 to 2015. In 2018 the growth from 2017 however, was negative. EA's mobile game revenue growth declined by 2% (EA, 2018:34; Ballard, 2018). This is worrying for EA as mobile gaming has just taken over 51% of the revenues of the whole industry and is calculated to grow to take 59% of the revenues within the industry (Wijman, 2018). This slowing down in growth can be explained in lack of mobile games in EA's mobile gaming portfolio. It looks like EA has not been able to keep up with the new mobile gaming trends such as PUBG mobile, Clash Royal, Honor of Kings and Fortnite mobile and are now in a situation where they have no titles to compete against these mobile games. Because of the lack of these mobile "shooters" or other not so casual mobile games, EA has almost completely missed the biggest country in gaming, China.

EA has embraced the new way of marketing through social media and video-streaming platforms. Through this kind of advertising the company can reach the exact demographic they are targeting. With these sponsored contents the influencers are paid for reacting and covering the products. This coverage will create more hype towards the products in the already existing potential customer pool. It will most likely create even more potential customers as the influencers have a wider range of followers. EA has used this type of influencer marketing in almost every new game launch in the recent years. As already discussed in chapter 4.5, EA had a major investment to twitch streamers to give coverage to their upcoming *Apex: Legends* video game. Among this they have used influencers to a large extent in their *Star Wars Battlefield* (1 and 2), *Sims 4*, *FIFA* and other launches to varying successes (Barker, 2015).

As the popularity of esports has grown so has the intrigue of the videogame companies towards it. EA is no exception in this matter. EA believes that the increasing interest and enthusiasm surrounding esports will drive the sales of their games associated with esports (EA Annual Report, 2018:4). In line with this statement, in the late 2018 EA hired a new figure head Paul Johnson to lead EA's esports efforts (Hayward, 2018). This

explosive growth in esports was to an extent ignored by EA. It was only by 2018 as the FIFA Global Series launched and attracted more than 20 million players, that EA executives realized the potential and the possibilities that lied in esports (Takahashi, 2018). These factors lead EA to hire Johnson to lead their esports scene. Johnson's goal for EA is to grow their influence in the esports scene. In early 2019 EA announced that they had partnered up with Turner broadcasting systems ELEAGUE, to host several FIFA 19 tournaments, also including the Global Series for FIFA 19. ELEAGUE has already established itself in the esports scene by hosting several esports tournaments for number of different games, including, Counter Strike Global Offensive, Rocket League, Street Fighter and many others (ELEAGUE, 2019). In 2018 EA also partnered with Premier League to launch their collaboration ePremier League. Premier League Managing Director, Richard Masters states that this is an exciting opportunity for them. The collaboration is a major opportunity for both companies as they both can expand their potential customer bases (McCaskill, 2018). As shown EA is eager to grow their esports influence but they are still far behind in the esports scene. EA's competitors such as Blizzard, Valve and Epic to name a few have been focusing on esports for years now. EA must keep investing into the esports industry to keep themselves relevant and interesting to the viewers and to the possible partners.

EA has had a very difficult journey as a video game company. This is partly due to their poor decisions. EA is highly disliked as a company among the gamer community, in 2012 and 2013 EA was ranked the worst company in the USA, in 2018 EA was ranked as the 5th worst (Stebbins, Comen, Sauter & Stockdale 2018). This dislike towards them still has not affected greatly to their revenues, as more and more of their revenue comes from casual gamers who rarely stay up-to-date on current issues in the industry. EA's biggest problems as of now are the lack of competitive mobile games up-to-date on today's standards, their slow adaptation to the growing esports scene and their reputation in the gaming community. EA has acknowledged these issues and have stated that they are given greater focus in the coming years.

As mentioned in this chapter EA has taken an advantage of several aspects that can be linked to the growth of the industry. These methods have allowed EA to stay at the forefront of the videogame industry. With continuous innovation and adaptation EA will most likely continue to grow and develop in the future.

## 6 Conclusion

As we can see from the previous chapters videogame industry is a fast growing industry with a bright future. Factors such as mobile gaming, further digitalization and the normalization of gaming are ongoing and will continue years to come and will continue to grow the industry as laid on many occasions in the thesis.

The research questions laid out on the beginning of the thesis, “Why the growth and how”, “How it is affecting the entertainment industry” and “How these factors are used in a videogame company?”. The first question has been answered very thoroughly and most of the thesis is observing of the reasons and the causes of the growth phenomenon. This question and the answers to it are the main embodiment of this thesis and it is the main statement of this thesis. These chapters give the reader a wide understanding about the industry and about the reasons why it is growing. There are several other reasons for the growth, however the author decided that these six factors were the biggest factors and the most noteworthy. The second question is answered in several chapters, however not always directly. The impact which videogame industry has made to the whole entertainment industry is undoubtable. The older industries have only now started to notice the videogame industry and see how and why it is in the brink of passing some of the biggest industries. Because of this many of these industries are adapting and taking notes on how the videogame industry has progressed. As an example, digitalization. The third question is given an answer on the last chapter where Electronic Arts is observed by the author. This chapter gave a lot of insight on how this company works and how it has exploited the current state of the industry, but also how it has missed some opportunities and how it could better itself.

With these facts and statistics provided in this paper, it is safe to assume that the industry will keep on growing and improving. Authors own opinion about the state of the industry and this thesis: As the author of this thesis I believe in the future of this industry, during the research process I found out a lot about the industry and learned a lot about the companies dealing within it. This has given me a new drive to learn even more about the topic and more specifically about the esport. Esports have a major

chance of becoming the next big thing and rising above the traditional sports. I believe that in the future Finland will be in the forefront of esports, as of now it is already growing within Finland with an exponentially high pace. I will most definitely keep my focus on it specifically, but also on the whole videogame industry.

As the industry continues to grow and advance, some of these statements made during the thesis may be proven false but majority of this thesis should and will hold true in the years to come.

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