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Getting into your customers' heads: An interview with the COO of Electronic Arts Labels

The success of Electronic Arts—known for games such as *Battlefield*, *Madden*, and *The Sims*—once hinged on managing relationships with retailers. Today, with online gaming on the rise, the company is learning how to use technology to get closer to the gamers themselves.

Krish Krishnakanthan

Gaming-platform innovations have opened up a whole new world of offerings in the interactive-entertainment industry over the last five years. The barriers for entry have come down, and small game developers can get their products in front of large audiences almost instantaneously through digital channels. Whereas Electronic Arts (EA) used to play against peers operating in a retail setting, it now must also master new platforms such as social networks, mobile phones, and tablets.

In this interview, Bryan Neider, COO of EA Labels, talks about his company's digital transformation, technology as an enabler of customer insights, and the role of the CIO.

McKinsey: *What was the starting point of EA's digital transformation?*

Bryan Neider: When John Riccitiello became CEO in 2007, he presented a vision to his senior-leadership team that showed our business through the analogy of a burning platform. You're in the middle of the ocean on an oil platform that is on fire; your options are to hold fast and ride it down or jump off and face the unknowns of the ocean. John was anticipating the fundamental shift in our industry away from the packaged-goods model that made us successful and toward the digital delivery of games made possible by greater bandwidth and connected devices. It was a shift that, at the time, we were fundamentally unprepared for.

Takeaways

Communication and collaboration are critical to success, says Bryan Neider of Electronic Arts, particularly when the environment is changing rapidly—as it was when the company embarked on a digital transformation.

Technology has been central to the company's efforts. Telemetry and online tools, for example, help EA learn more about its customers and open a dialogue with them, allowing for continual refinements to processes and games.

Although it's easy for companies to become enamored with technology itself, Neider says, you must remember that most important are the people who design and use it.

We were also facing execution challenges—our game-quality scores were down and our costs were rising. John's presentation that day was the inception point of EA's digital transformation, with the objective of tearing down and rebuilding our business in ways that would allow us not only to deliver our games digitally, direct to consumers, but also to get better insights and build a much closer relationship with our customers.

We have since been getting out of the "fire and forget" retail-delivery model and instead incorporating data-backed analysis into our decision making as we grow our business in delivering digital games and services. In fiscal 2013, we are forecasting digital to represent 40 percent of our overall business. As that percentage continues to grow, we are at the mercy of consumer preferences, which are almost by definition ever changing and difficult to define. So it's immensely valuable if we can understand how consumers are responding to our products. We're on our way; EA's revenue coming from digital channels was up 47 percent in fiscal 2012 and will grow by an additional 40 percent in the current fiscal year.

McKinsey: *How has the new competitive landscape affected the way EA is organized?*

Bryan Neider: We needed to provide our customers with products that were relevant to them and accessible anytime, anywhere, on any device. From that came our EA Labels business unit structure, which now comprises six units grouping games that address distinct segments of the market. Within those business units, the profit and loss resides with the franchise owners, who are responsible for creating great games while optimizing revenue and profitability for their given franchises—for example, *FIFA* or *Need for Speed*—across packaged goods and digital products. The general manager of each franchise can go after the opportunities or make the trade-offs that will deliver the highest return for his or her line of business.

While these labels operate with a high degree of independence, they also draw on central resources—distribution, marketing, and corporate functions such as HR, finance, and IT, as well as our evolving digital platform, which creates the technological mechanisms that allow us to deliver our content on demand. The delivery of this content includes innovative business models like the free-to-play model, which generates revenue from microtransactions—items that can be purchased in a game to either accelerate or enhance the game-play experience for the player. Advertising is a secondary revenue driver in most titles that use this model.

McKinsey: *What role does technology play in holding together this decentralized structure?*

Bryan Neider: We have studios located around the world. Communication and collaboration are absolutely critical for achieving success in such a distributed environment. IT tools, whether videoconferencing or wide-area-network technology, allow us to really compress the distance and communicate effectively across all our teams.

For example, it's essential to understand how the different components of a project affect one another. If a development team is two weeks behind schedule on a playable demo, how does that affect a marketing team that is showcasing the game at an event? Likewise, if the team can incorporate a feature that is likely to make the

Bryan Neider

Vital statistics
Married, with 4 children
Lives in Menlo Park, California

Education
Received a BA from Santa Clara University and an MBA from California State University, Hayward; licensed as a certified public accountant in California

Career highlights
Electronic Arts
- Senior vice president and COO, Electronic Arts Labels (2007–present)
- Senior vice president and CFO, Worldwide Studios (2003–06)

Spectrum HoloByte–MicroProse Software
- Vice president and corporate controller (1994–96)

Fast facts
Serves on several not-for-profit boards, including Community Gatepath, an organization that serves adults and children with special needs; founded climb4acure, an organization that provides resources to people with diabetes in underserved communities

game better received by its prospective audience, how does that change the financial model?

There's a strategic element to this, particularly given how fast the market is moving. Communicating corporate strategy and making sure that all parts of the company are aligned at all times is very important. I start my morning with a phone call to Europe and usually close my evening with a phone call or e-mail to Asia.

McKinsey: *How does EA use technology to measure performance and figure out what its customers really want?*

Bryan Neider: We have systems and tools that allow us to evaluate our business through a lens other than what our retail partners report to us each week. We have our own data tools, such as an account-management system with profiles of more than 200 million consumers, which shows us where our business is going, for example, by individual game, franchise, or geography.

Our key product-quality indicator for our large-scale console releases is an external industry-wide metric based on gaming-publication reviews. We've found a significant link between critical review success and sales performance. However, when we release games that are more than packaged goods—games that are built around a digital universe of content and act as a direct service to consumers—we need other metrics that will require a deeper integration of new technologies to measure customer interactions with our products and permit us to respond on the fly. In that type of environment, the primary measure becomes the lifetime value of each customer. We field a number of analytics teams that run the gamut from helping to tune and balance a game so that everyone has a fun experience to predicting, from the first time someone downloads and plays a game, the likelihood that he or she—based on in-game behaviors and initial purchases—will become a player with a high lifetime-value contribution.

McKinsey: *What kind of metrics do you use when analyzing game-play data?*

Bryan Neider: Organizations can only execute against a limited number of objectives, so every team has probably four or five metrics that it wants to look at. These metrics can vary widely depending on where a game is in its development cycle and where it is with regard to its life cycle with customers.

Key metrics answer the following questions: where in the game are consumers dropping out? What is the network effect of getting new players into the game? How many people finish a game? Did we make it too difficult or too long? Did we overdevelop a product or underdevelop it? Did people finish too fast? Those sorts of things are going to be critical.

McKinsey: *How do you get answers to these questions?*

Bryan Neider: We have marketing teams looking at consumer blogs and social media, providing demos and playable betas to customers and getting feedback that is immediately played back for the development team to incorporate changes. However, the challenge is that parts of the gaming audience are pretty vocal—they either really like a game or they really don't like it. The trick is to find ways to get feedback from the lion's share of the audience that is generally silent and make sure we're giving these people what they want.

One important way to do this is to build telemetry into our games. When players log in, they are asked whether they permit us to use the telemetrics of, for example, their handheld device, to communicate information from their game back to us. Many do. This is a critical tool because it permits us to watch real game playing so that we can understand quite objectively when something is working and when it isn't.

In addition, online tools allow consumers to direct their feedback to us at different points in a game and after it so that we can filter the feedback into our products. The feedback format needs to be open-ended and nonintrusive—players don't like feedback requests at critical moments of game play. It's very important that gaming audiences around the world want to engage with us because tastes differ and a game has to be tailored to preferences in different markets: for example, the China version of a fight game would include more martial arts and less shooting than the US version.

McKinsey: *With so much focus on giving the consumer what he or she wants, is there any room for visionary game designers breaking new ground?*

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Bryan Neider: There will always be game designers who want to create unique things. Consumers want to be wowed with something they didn't expect. That will always be a part of making games. But there's also a new creative challenge for us as games move from packaged goods to digital services. The game is always live, so how do we ensure that a player who started today is still playing that game a year from now? There has to be fresh innovation—once it is live, we must make the game even better by initiating that feedback loop so that we can continue to refine the process and the game.

McKinsey: *What is the biggest challenge that the IT function faces in the kind of transformation that EA is going through?*

Bryan Neider: The IT department is tasked with many things, including creating and running the complex internal network that makes it possible for teams around the world to cocreate when developing products. The biggest challenge for the IT shop is that demand is usually greater than the ability to deliver on that demand. So you need tools that allow the organization to prioritize certain technology suites—within budget constraints and within the scope of what teams can actually develop and implement. Several years ago, we set up a steering committee that included all the business units and the IT organization to make sure that priorities were aligned with our company's strategies. But if we're making those decisions for the IT organization, it means that the business partners need to understand the trade-offs.

It's been very helpful for me when meeting with our CIO to understand the full suite of things that his organization has been tasked with. By getting that understanding, I have better context for how we make the trade-offs and the decisions that we do. For a CIO, I'd say that the key to managing expectations is having an open dialogue with business leaders and being transparent about the demands on the IT organization and on the CIO's team.

McKinsey: *What is essential to keeping the business and the IT organization aligned?*

Bryan Neider: The key is to create a spirit of collaboration and communication. In many ways, communication is leadership, and when industries are changing at a very fast pace, communication is often the first thing that goes. To prevent this from happening, we've made a concerted effort to make communication a cornerstone for ensuring that we're aligned on our company's objectives.

I've presented on multiple occasions our business strategy and our product portfolio to the IT organization because it's critical that IT understands the challenges we're facing in our product-development work and the role technologies can play in helping us accelerate some of the things we need to do.

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McKinsey: *How do you measure the performance of the IT organization?*

Bryan Neider: We have, at a minimum, quarterly check-ins with our IT partners where we look at the objectives set out at the beginning of the year and measure our progress against them. Having these milestones and check-ins allows us to adjust and recalibrate if necessary. These measures also ensure that we are delivering on the projects we collectively agreed are critical for the business. Obviously, we have more frequent meetings on specific items to measure individual progress and success with our IT people.

McKinsey: *Technology is playing a growing role in all sectors. What's the single most important piece of advice you would give a CIO?*

Bryan Neider: Ultimately, we're in the people business. In technology companies, it's easy to get enamored with the technology and lose sight of the fact that it's people who ultimately design and use it. People are the creative force behind new games or services for us, just as they are for new technologies that other companies develop in other sectors.

Communication is absolutely critical. I think most CIOs over the last decade have experienced increasingly dispersed organizations. This is a development that makes communication the glue that holds together alignment on business objectives and ensures we're on track. Technology is ultimately the enabler of that communication. It's really key to understand that it's people who get the job done at the end of the day.

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