



Stanford eCorner

Allocating capital for new products

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Earl talks about how the majority of the products at EA are sequels that are released every year. The main decision for EA on these projects is budgeting how many people to work on each every year, he says. Occasionally, there is a new product idea. This idea must pass a lot of market opportunity analysis before it is launched because it is very expensive and risky to build a new product. Still, new products are seen as a critical part of the future of the company, he adds.



Transcript

We know that a question always comes up how do you think about it? How do we budget? And how do we fund these products. At Electronic Arts, a lot of our products are sequels to products that we release every year. So we'd know that we're going to do another version of Tiger Woods, now that Lord of the Rings is kind of safe for franchise for the company. We know we're going to do another version each year. So it really becomes a budgeting exercise around how many people are going to be on the team. Every now and then we do have a new idea that we want to start on a new franchise or a new license that comes into the mix and we think long and hard about whether that's going to be viable in the market place and then we rely on a group around the company to give us a guidance on whether we think that's going to make sense or not. And most key decisions, because especially nowadays in the software business, it is a very, very expensive to build products. We have teams of close to 100 people working on a given product and they could be working on that product for a year or a year and a-half. So you can just get a sense especially of that area of what sort of budget that, you know, that kind of thing and how expensive that is. So we like to get very high caliber people in decision making in our studio and, you know, I'm excited to be here with Arcadia and Erin today.

They're two examples of entrepreneurs inside the studio who are business leaders and creative leaders who really are responsible in different ways and different capacities for fulfilling the products that make up the studio.