

# CORPORATE BRAND MANAGEMENT AND REPUTATION

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## MASTER CASES

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### **Game Over? Electronic Arts – SimCity in Flames**

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First Edition  
Student Case Papers

# 2015

## **Corporate Brand Management and Reputation: Master's Cases**

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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# **Game Over?**

## **Electronic Arts – SimCity in Flames**

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### **WRITTEN CASE**

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## MANAGEMENT DECISION CASE

12 - 2015

DECEMBER 14, 2015

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# Game Over? Electronic Arts – SimCity in Flames

In March 2013, the struggling video game publisher Electronic Arts (EA) finally released the much anticipated sequel to *SimCity*, developed by its fully-owned studio, Maxis. It had been ten years since the last complete *SimCity* game (*SimCity 4*) had been released and fans were extremely excited to finally return to the *SimCity* universe. The game was supposed to be the reinvention of the classic game initially released almost 26 years ago. Even before the game was publically released, it had won several awards, including the prestigious "Best PC game" award by Games.com. Reviewers at Polygon.com had rated the game at 9.5/10 and the hype was massive.

However, when *SimCity* was finally released in North America on March 5, hundreds of thousands of gamers simultaneously tried to download the game, causing server problems. Not only were they not able to download the game, but once they finally did, they could not access the servers to play the game. This created an enormous upheaval within the gaming community, leading to immense criticism of Electronic Arts and an outcry on the online gaming media.

*"They should change the error message into: "Sorry for destroying this game :(" (WilfredoBibar, on an online discussion forum)*

Users started posting comparably harsh complaints online immediately after purchasing the game. The comments were not only about *SimCity*, but many of them instinctively blamed EA:

*"EA, the devil of the gaming industry." (Keldramo, on an online discussion forum)*

So how come the reaction was so quick, harsh and directed at the publisher? This can be explained by considering the stakeholders involved as well as the reputational and industry background.

## Background

### *Financial Impact of Gaming*

The video game industry went through an impressive development: the idealistic, small enterprises established in the 1980s and 1990s became the entertainment behemoths of the new century. Nowadays, the industry's financial impact is impressive: *Grand Theft Auto V*, for instance, amassed a staggering billion USD in sales in the first three days after its release, thus outselling the global music industry on a monthly comparison. The social game *Candy Crush*, primarily targeting mobile devices, is played by over 400 million users monthly. These examples illustrate not only the financial impact of the video game industry, but also how the growing digital sales and mobile games affect the market. In 2014, the worldwide revenues generated by the video game industry reached \$101.62 billion.

### *Gaming in Pop Culture*

*“So far, collectively, all the World of Warcraft gamers have spent 5.93 million years solving the virtual problems of Azeroth [...]. To put that in context, 5.93 million years ago was when our earliest, primate human ancestors stood up. [...] So, when we talk about how much time we are currently investing in playing games, the only way it makes sense to even think about it is to talk about time of the magnitude of human evolution.”* (Jane McGonigal, game developer in a TEDxTalk)

Video games have become an essential part of today's pop culture. Due to their interactivity, they are often very involving and spark strong emotional responses. People playing video games invest incredible amounts of time into their games and, thus, develop emotional bonds to the games and their in-game heroes and heroines. This intense connection is also reflected in competitive gaming, in which so-called pro gamers are participating individually or in teams in tournaments and championships, as well as in electronic sports leagues. Not only are they able to make a living out of their gaming, but they also have thousands of fans and can actually fill entire stadiums.

However, esports fans are only one manifestation of the immense loyalty and bonding video games create. On YouTube, for instance, two of the top ten search queries were related to video games. There are thousands of videos reviewing games, providing game tutorials, criticizing games, analyzing games, presenting game music, rapping to game scenes and even of people playing games. Moreover, video game enthusiasts can follow their favorite players on twitch.tv, read hundreds of novels and books on video game stories and even go to the cinema to watch video game movies such as *Doom*, *Far Cry*, *Hitman* or the upcoming *Warcraft*. Players are embedded in a world that is connected to their favorite games at almost any given time, thus further strengthening the emotional investments they make.

## *Digital Rights Management (DRM)*

The aforementioned enthusiasm and emotional investment can also create an enormous backlash. When publishers and distributors first introduced Digital Rights Management (DRM) as a security measure to counter the increasing piracy problems, the reaction was fierce. Examples such as *Spore* illustrate how the players respond – not only did many customers penalize the corporate behavior by rating the game with one (1) out of five (5) stars on Amazon.com, mostly referring to the DRM, but also *Spore* became the most pirated game in 2008.

*Diablo III*, released in 2012 by Blizzard Entertainment, was another example emphasizing the collective activism of video game players: the game employed an always-online DRM that prevents the game from being played without internet connection. While Blizzard Entertainment also pointed out that this improved the game's security in regard to cheating players, its players experienced extreme problems to connect to the game's servers during the launch weeks and, consequently, created an outcry resounding through the internet, gaming press and the general gaming community.

## **Electronic Arts**

### *Company Overview*

Electronic Arts (EA) is one world largest video game publishers with an annual turnover of almost four billion USD. Headquartered in Redwood City, California, the company does not only publish, but also develops, markets and distributes video games. EA follows a multi-platform development guideline and has a broad portfolio of video games, ranging from top-selling, full price video games for consoles and PC to free-to-play titles on mobile devices.

Electronic Arts is a well-known corporate brand, where EA acts as the mother brand with five daughters. Three daughters are labels (EA Sports, EA Games and EA Interactive) which act as publishers all with studios developing games for them. Maxis and BioWare, however, are labels with integrated studios (see **Exhibit 2** for further details).

Being one of the oldest video game companies in the market, Electronic Arts failed to fulfill the expectations of its shareholders in the last years. From 2008 to 2011, the corporation grossed a net loss of almost 2.5 billion USD. In 2012 and 2013, EA realized net profits, although the margin remained meager, especially in comparison to its first rival, Blizzard Activision Inc.

### *EA Actions*

EA has a long established set of values, referred to as 'EA Actions' that reflect the company's vision: "We unite the world through play". The actions are supposed to

provide a roadmap for growth and guide their employees' relationships with each other as well as with partners and customers (see **Exhibit 1** for further details).

### *The Golden Years*

Trip Hawkins founded EA as Amazin' Software in 1982. The company was established as an independent publisher without developing capabilities but soon started to develop games in-house. As Hawkins treated software as an art form and called developers 'software artists', he soon renamed the company to Electronic Arts. Many strong titles such as *Skate or Die* and *Hard Hat Mac* were developed and in 1988, Electronic Arts released the first realistic American Football video game featuring John Madden. The company successfully went public in 1991 with the initial stock price of \$8 rising to \$35 within a year.

### *Acquisition and Franchising*

Later in 1991, Trip Hawkins left EA to found another video game company. The same year, EA acquired its first developer and continued to take over approximately one studio a year, including Maxis in 1997, for the remainder of the decade. The company released its first *FIFA* game in 1993 and later signed an exclusive license deal to produce *FIFA* football games for the next 8 years. Acquisitions continued in the 2000's including legendary studios DICE and BioWare. Much of EA's success, both in terms of sales and stock market valuation, was due to its multiplatform strategy and the release of yearly updates of its sport franchises. By this time, these franchises also included *NHL*, *NBA Live*, *Tiger Woods PGA* and account for a substantial part of EA's annual revenues.

### *Reputational Issues*

By 2007; the much-acclaimed company had begun to experience problems with its 'buy and assimilate' strategy. The new CEO, John Riccitiello, announced that EA would reorganize itself into four labels to operate more autonomously. This was also when the company's reputation started to deteriorate. The video game *Spore* was unsuccessfully launched in 2008 due to EA's controversial DRM software. 2,016 out of 2,216 ratings on Amazon.com gave the game one out of five stars, most citing EA's implementation of DRM for the low ratings. Other popular titles were criticized due to technical launch problems, unsatisfactory gameplay and the introduction of micro-transactions. Many gamers felt EA was hurrying its releases, lacked creativity and was more concerned with the bottom line than satisfying its customers.

This was also reflected in a YouTube open letter to EA's marketing: consumers accused EA for damaging gamers' reputation to the general public by promoting their titles with obscene and immature promotional activities. On April 4, 2012, the reputational damage culminated in EA receiving The Consumerist's Golden Poo Award after being voted the worst company America, beating the severely mis-trusted Bank of America by a 2/3 margin. At this time, EA's stock was traded at an all-time low and the company was barely breaking even.

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## Maxis

### *The Beginning*

In 1985, game developer Will Wright started working on *SimCity*, then called *Micropolis*. He knew he had a great idea for a game and when he met with Jeff Braun, who was willing to fund the development, they formed Maxis two years later. When *SimCity* was first released in 1989, it was ground-breaking. It was the first game ever not to have set objectives, where there was no winning or losing – only the freedom to run your own city. Its sequel, *SimCity2000*, was released in 1993, improving the gameplay and introducing new features. It became a huge success and is regarded a classic that is still played by loyal fans to this day.

While Maxis did release other games, it was the simulation games they became famous for, e.g. *SimAnt* – control an ant colony and *SimEarth* – control the development of an entire planet. While these titles never reached the same popularity as the *SimCity* games, they established Will Wright and Maxis as an innovative, original game developer.

### *EA Years*

Maxis went public in 1995, but after posting losses, the share price fell and EA acquired the company in 1997. Unlike other developers acquired by EA, Maxis kept its brand name and a certain level of autonomy. *SimCity3000*, the third game in the series, was the first Maxis game released under EA.

*“He wants to do an interactive doll house? The guy is out of his mind.”* (Jeff Braun, Co-founder of Maxis on *The Sims*)

Adding to the success of *SimCity*, Wright had the idea for a new game where you control the life of people living in a suburb. Maxis gave little support to the idea, arguing that doll houses were for girls, and girls did not play video games. EA however, saw the potential of leveraging the *Sim* franchise. In 2000, three years after Maxis was acquired, *The Sims* was released and became the best-selling computer game of all time – closely associated with Maxis. *The Sims* is accredited with bringing more female players into the world of gaming, almost 60% of its players were female.

In 2003, *SimCity 4* was released. The fourth installment was the first *Sim* game to be released after the success of *The Sims* and could now benefit from a halo effect, thus reaching new gamer groups. It holds a user score of 8.7/10 on metacritic.com.

*“Superb they must make a fifth game. Not sure which is better, 3000 or 4 but who cares, buy this game (and its expansion, makes it way better) BUY IT”* (JoshH., score 9 out of 10)

## The Crisis – SimCity (2013) Launch

EA and Maxis scheduled the release of the new *SimCity* game starting in North America on March 5, 2013, followed by Europe and worldwide later that week. Since the game was first announced, it was highly anticipated and discussed online. Leading up to the global release, there were several interesting events that need to be taken into account.

### *SimCity Release Timeline*

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- 06/03/2012 The first totally new *SimCity* game since 2003 is officially announced at the Game Developers Conference, following months of fan speculation.
- 04/06/2012 EA confirms *SimCity* will be always online but promises they will not make same mistakes as Blizzard did with their *Diablo 3* release. EA also states they have learned their lesson from DRM problems with previously released EA games *Spore* and *Darkspore*.
- 23/08/2012 *SimCity* wins Gamescom's "Best PC Game" award.
- 14/12/2012 The *SimCity* development team ran an AMA (ask me anything) session on Reddit.com, where they received immense criticism for the game's perceived DRM-mechanisms, requiring the user to be always online and connected to Electronic Arts' servers in order to be able to play the game.
- 26/12/2012 Gaming website Kotaku.com warns about the DRM and always-online feature of *SimCity* in an article, saying "Bottom line, we're talking about Electronic Arts, an always-on connection, and a game utterly dependent on servers that the publisher could one day shut down. That's enough to kick up a stink no matter what the game is, even one as loved and anticipated as *SimCity*".
- 16/02/2013 Closed Beta testing starts to test server capacity and gameplay – EA comments that more than 100,000 people played beta in one weekend with good reception
- 04/03/2013 American video game website Polygon.com reviews *SimCity* – giving it a 9.5/10 score
- 05/03/2013 **North American release of SimCity**  
As the game was not available for pre-loading, the large amount of users downloading the game simultaneously from EA's online game store Origin, caused server crashes and slow download speeds. Once the game was downloaded and installed, the always-online
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requirement meant that all users had to connect to EA's servers, and again, they were overloaded. Hundreds of thousands of users could not access the game and the ones that did, experienced frequent gameplay issues; long loading times, disconnections, game crashing and loss of saved game data.

05/03/2013 Origin quickly replied to criticism saying, on Twitter, that it was unfortunate that the game could not be pre-loaded and that unhappy customers should ask for a refund.

05/03/2013 Origin corrects statement on Twitter, saying they DO NOT offer refunds. EA said all server and gameplay issues should be solved in time for the international launches of *SimCity* later this week.

05/03/2013 Polygon.com lowers the score of *SimCity* to 8/10 following the problems on launch day. Even the reviewers suffered from loss of game data and were unable to sign in to play the game. However, they mentioned that the game still plays well once you are able to log on.

07/03/2013 **Europe and Japan release of *SimCity*  
Problems persist.**

07/03/2013 EA deactivates certain gameplay elements in order to ease pressure on servers.

07/03/2013 Polygon.com lowers review score of *SimCity* to 4/10 as it is unplayable for so many players, saying: "EA's decision to remove certain features of the game in order to attempt to stabilize server performance has resulted in a dramatic change to the way *SimCity* is played and, in my experience, has not stabilized the server situation."

07/03/2013 Polygon.com got a hold of EA internal memo from Lucy Bradshaw (Maxis General Manager) where Maxis took full responsibility for issues

07/03/2013 Amazon.com suspends sales of the downloadable version of *SimCity* until further notice after over 1000 customers complain and help to bring rating down to 1 out of 5 stars

07/03/2013 Bradshaw focuses on the players that actually could play the game and how many cities they built, but avoids addressing any problems

07/03/2013 **Global release of *SimCity***

## Management Decision

The botched launch of *SimCity* created a public outcry that was reflected not only in several online communities such as Reddit.com, but also in professional gaming press. The always-online feature was regarded as a measure purely related to DRM, used by EA to limit piracy and not as an integral feature of the game. It was perceived by gamers that *SimCity*, like its predecessors, should be playable in single player mode offline. Maxis developed the game, while EA was responsible for publishing and distributing. The main question then is: which company should take the blame for the failure of the new *SimCity*?

After deciding on who should assume responsibility, it then follows to identify how the corporation should proceed. Thus, the following questions arise:

- What should be the immediate reaction to the crisis?
- How should the communication strategy counter the crisis?
- How do our different stakeholders influence the crisis management? How does the high level of engagement within our core customers exacerbate the crisis?
- To which degree are the different reputational aspects of our brand affected? Does the crisis threaten our brand core? Are our actions still coherent with our core values?

**Exhibit 1** EA Actions (Core values)

Be Bold	•Go big   Take the right risks   Back our bets   Lead
Think Players first	•Listen and respond   Deliver beyond their expectations   Build lifetime players
Create Quality and Innovation	•Deliver products and services that surpass expectations   Be relentless about improving quality   Take creative risks
Act with Integrity	•Do the right thing   Trust others and support their decisions   be transparant
Be Accountable	•Deliver on commitments   Always do what we say   Play our positions   Deliver and reward results
Learn and Grow	•Work hard, play hard   Develop yourself and others   Measure your improvement   Share knowledge generously

**Exhibit 2** Organizational structure of Electronic Arts

