

Game Downloads More of a Threat for GameStop Than Walmart

Companies: AMZN, BBY, GME, GOOG, MSFT, NFLX, TGT, TYO:6758, TYO:7974, WMT

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Research Question:

Will Walmart's used video game business cripple GameStop's dominance in this area?

Summary of Findings

- [GameStop Corp.'s](#) (GME) core business will be threatened more by digital game downloads than by [Walmart Stores Inc.'s \(WMT\) used video game program](#) during the next five years.
- Walmart could present a short-term threat for GameStop if it offers better prices for used game trade-ins and resale, but most sources think its prices will be comparable to GameStop's.
- Hard-core gamers are likely to remain loyal to GameStop because of the company's superior customer service and large inventory.
- Four industry specialists said digital downloads already account for 25% to 30% of game sales and will become the dominant form of game purchases within seven years. Two-thirds of gamer sources already are active downloaders, using the method for 20% to 100% of their game purchases.
- Three industry specialists and a gamer viewed 3D virtual reality gaming to be a noteworthy trend.

Silo Summaries

1) Video Game Industry Specialists

Six of 12 sources believe Walmart is a threat to GameStop's market share, but two others said digital downloads are more of an issue. Of the two sources who believe Walmart is not a competitor to GameStop, one said the two companies attract different customers. **Two-thirds of sources expect Walmart to compete on price, while GameStop's advantages stem from its more knowledgeable staff and broader inventory. Digital downloads currently account for 25% to 30% of game purchases but will be dominant in two to seven years.**

2) Walmart Electronics/Game Section Employees

All four sources said customer awareness of Walmart's used game program is low. Three of the four sources remain positive on the program, but one believes it will not catch on. **Sources expect Walmart's used game resale pricing to be competitive, but one believes GameStop pays more for trade-ins.** Also, GameStop is known for its inventory. One source's shelf space for games has doubled and yet one-third of the shelves remains empty based on demand. Next-generation console pricing has not been lowered yet. Digital downloads of games have risen but not enough to affect physical game sales.

3) GameStop Employees

Neither source believes Walmart's game buyback program will take share from GameStop. The two companies' prices likely will be comparable, but one source believes Walmart's advantage may be its price matching. Still, GameStop will be buoyed by its knowledgeable staff, loyal customer base and rewards program. Neither source noted a drop-off in physical game sales following the release of the next-generation consoles. One source believes only 10% of games are purchased via downloading. The other reported a growing trend in mobile device games.

4) Gamers

Five of nine sources believe GameStop could be threatened by Walmart's used game program if the latter's prices for buybacks and resale are more competitive. Of the remaining four sources, two see the digital download trend as more of a threat to GameStop. Three sources believe Walmart will be able to sell games for less than GameStop, but GameStop's advantages include its superior customer service and employee knowledge, superior game selection and the rewards program. **Two-thirds of sources already are active downloaders, using the method for 20% to 100% of their game purchases.** Concerns in downloading titles include limited console storage space, the inability to share games, and the risk of system crashes.

	WMT a Threat to GME	Digital Game Downloads
Industry Specialists	➔	⬆
Walmart Employees	➔	⬆
GameStop Employees	⬇	N/A
Gamers	➔	⬆

Background

GameStop's [fourth-quarter earnings](#) revealed that overall sales increased 3.4% year to year, largely driven by the successful launches of [next-generation consoles](#), which offer more power and allow for more intricately detailed games. Sony Corp. (TYO:6758) released the [PlayStation 4](#) and Microsoft Corp. (MSFT) released the [Xbox One](#) at the end of 2013, while Nintendo Co. Ltd. (TYO:7974) released its [Wii U](#) a year ago. All of these consoles allow for downloadable games.

However, GameStop's preowned video game business declined 1.3% year to year. GameStop funds its new products and innovations with the profits from its core trade-in business, and the retailer's expansion efforts could suffer a setback if competitors begin taking share of the trade-in business.

Competition increased when Walmart reentered the video game [trade-in market](#) in March. (This is Walmart's [second attempt](#) to become a player in the used game market.) For now Walmart offers store credit for the preowned games, which can be used in any department, at Sam's Club and online. It will [resell these preowned games](#) later this year to give customers even lower prices on their favorite games. However, Walmart does not have a robust video game department, and it lacks the video game experts and game upgrades with extra content touted by GameStop.

Blueshift Research's [Dec. 19, 2013, report](#) on GameStop found that physical discs continued to be the preferred method of video game ownership. Sources expected game downloading eventually to overtake physical discs but not until the newest-generation console arrives at least five years from now. This slower adoption for downloading games leaves the door open for physical trade-ins and preowned game sales for the next few years.

Current Research

In this next study, Blueshift Research assessed Walmart's level of threat to GameStop in the used game market. We employed our pattern mining approach to establish five independent silos, comprising 27 primary sources and six relevant secondary sources focused on Walmart's entrance into the trade-in video game market, GameStop expanding its trade-in business to other technology products, hardware sales rising but still facing pressure from mobile gaming, and GameStop's sale of downloadable content in its stores.

- 1) Video game industry specialists (12)
- 2) Walmart electronics/game section employees (4)
- 3) GameStop employees (2)
- 4) Gamers (9)
- 5) Secondary sources (6)

Next Steps

Blueshift Research will monitor Walmart's prices for video game buybacks and sales of comparable games compared with GameStop. We will assess adoption of digital downloads and the related effects on physical game sales. Finally, we will dig deeper into emerging trends such virtual gaming and Netflix's potential influence on the game market.

Silos

1) Video Game Industry Specialists

Six of 12 sources believe Walmart is a threat to GameStop's market share, but two others said digital downloads are more of an issue. Of the two sources who believe Walmart is not a competitor to GameStop, one said the two companies attract different customers. Two-thirds of sources expect Walmart to compete on price, while GameStop's advantages stem from its more knowledgeable staff and broader inventory. Digital downloads currently account for 25% to 30% of game purchases but

GameStop Corp.

will be dominant in two to seven years. Notable trends include digital games; virtual technology; the move toward one-stop entertainment, such as game subscriptions and rentals; and immersive technology, such as enclosed helmets. One source said Microsoft and Sony will have open development platforms and that who develops for which company bears watching.

KEY SILO FINDINGS

Market Share

- 6 of 12 sources said Walmart could take GameStop share if its pricing is competitive.
- 2 believe Walmart will not take market share.
- 2 see digital as more of a threat than Walmart to GameStop.
- 1 said Walmart luring a different type of customer (prefers cash for used games) than GameStop (uses trade-ins to buy more games).
- 1 had no comment on market share.

Pricing

- 8 sources expect Walmart's prices to place pressure on GameStop.
- 1 said Walmart's price is yet to be determined.
- 3 had no comment.

Advantages/Disadvantages

- GameStop's advantages include a more knowledgeable staff, greater inventory.
- Walmart's advantage could be price.

Downloadable Games

- 4 said around 25% to 30% of games sold already are downloaded.
- Digital downloads are expected to be dominant in 2 to 7 years.

Next-Generation Consoles

- Next-generation console sales currently are limited mainly to hardcore gamers.
- Discounts on these latest consoles have not yet been seen. Discounts could occur this summer or 1.5 years from now.

Trends

- 4 noted the move toward digital games; 1 said this trend will allow more indie development of games.
- 3 sources see virtual reality (3D) games as an important upcoming trend.
- 1 source said Microsoft and Sony will have open development platforms; monitor who develops for which company.
- 1 noted immersive technology (like a closed helmet) as a trend.

1. JJ Hendricks, owner of used-game retailer [JJGames](#) and game-pricing site [PriceCharting.com](#)

GameStop will face formidable competition from Walmart, but the big-box giant first must improve the marketing for its used game program. Even though Walmart may offer less per used game, GameStop still may have to offer more for trade-ins, which will lower its profit margins. More importantly, GameStop must steel itself to the longer-range trend of digital game delivery.

Market Share

- "Used games are a huge part of the profits for the company. GameStop makes a majority of its profits off used games with a smaller part of overall revenue. That's the reason Walmart and [Best Buy \[Co. Inc./BBY\]](#) are getting into that market: It's profitable."
- "Walmart will probably do pretty well with it, if people become aware [of the service]. But there definitely are marketing issues Walmart must work through first."
- "For GameStop, the used game market helps consumers buy more games. Instead of spending \$60, they can trade [a used game] in and get \$20, \$30 for the next game they buy. ... If Walmart customers want instant cash for their games, that's probably a different market segment."

Pricing

Walmart might not only offer lower prices [on trade-ins] but lower prices on new games too, so [GameStop's] profit margins could get squeezed as well.

Owner, Used-game Retailer & Game-Pricing Site PriceCharting.com

GameStop Corp.

- “With more competition for used games, [consumers] should get a better price. ... GameStop has been one of the worst when it comes to the prices they offer. They’ll have to pay more, which means less profit margin.”
- “Walmart might not only offer lower prices [on trade-ins] but lower prices on new games too, so [GameStop’s] profit margins could get squeezed as well.”

Advantages/Disadvantages

- N/A

Downloadable Games

- N/A

Next-Generation Consoles

- “The audiences for the PS4 and the Xbox One will be a lot like the audience for the PS3 and 360: hard-core, with a pretty similar TIE ratio. The difference was [Nintendo] [Wii](#), where people bought maybe two games the entire time ... and the represented a casual gaming market. So, the TIE ratio [for the new generation] might increase overall, but sales of consoles could actually go down.”

Trends

- “The new generation of consoles are not backward-compatible [like previous generations] so you can’t just keep playing old games. They won’t be as useful. [In the past] people making most of the trades were for individual games; they weren’t getting rid of entire systems. That may change, and there may well be larger trades.”
- “My guess is that this is the last generation of disc-based games although it may be four or five years before the next generation comes out. This generation is probably going to be the last one where physical is a part of it. The next generation, a lot will depend on the console makers.”
- “GameStop ... is like Blockbuster: It’s not so much the market of used games against new games, but that GameStop’s days, other retailers selling physical games, will have a limited life.”
- “Video game publishers are still married to the retail network. If you want a digital copy, you still pay full retail. There’s no price break. If [developers] offer discounts [for streaming], a lot more people would be switching over, but that would piss off retailers. That’s the dilemma publishers find themselves in. The technology is there for digital downloads; they just don’t want to cut out resellers. ... Already smaller games are digital-only.”
- “PC games, they’ve made that transition. It’s a lot cheaper to buy digital.”

2. Longtime gamer and IT professional, who has worked in both tech support and tech journalism

Walmart soon should erode GameStop’s dominance of used video games. GameStop has a terrible reputation and a near-monopoly on used games, while Walmart should get a bump from, if nothing else, the novelty of it selling used products.

Market Share

- “I’d be surprised if [Walmart] doesn’t erode GameStop’s market share. Any near-monopoly in a retail space faces cannibalization of market share when a new player, especially one with such an enormous footprint, enters their arena.”
- “This will happen in one to two quarters. Once word gets out that Walmart is doing this, a lot of folks who either have been resigned to using GameStop for this purpose, or are sitting on outdated games, or are utilizing more traditional pawn shops may look at this new avenue to see how it stacks up for them.”
- “There will also almost certainly be a novelty bump initially, as folks see how the new player plays.”

I’d be surprised if [Walmart] doesn’t erode GameStop’s market share. ... This will happen in one to two quarters.

Longtime Gamer & IT Professional

Pricing

- “At Walmart they’ll be cheap, which is a boon for used game buyers, but won’t do much for used game sellers. It probably won’t drive up prices appreciably.”
- “People are used to low-price shopping at Walmart anyways for pretty much everything, but probably don’t expect to find used goods there.”
- “This may be attractive to [Walmart’s] customers and will probably not do their corporate reputation any favors with those critical of the company.”

Advantages/Disadvantages

- “GameStop has name recognition but a terrible reputation.”
- “Choosing between the two is like asking whether you want to die by hanging or firing squad.”

Downloadable Games

- N/A

Next-Generation Consoles

- N/A

Trends

- “With so many digital delivery options, used games are disappearing, and the emerging transferrable digital ownership space is still quite open.”
- “Digital downloading conveniently eliminates the middle man, until some sort of clearinghouse—like a more-virtual [Craigslist](#) or [eBay \[Inc./EBAY\]](#) or what have you—stakes a claim on the space.”

With so many digital delivery options, used games are disappearing, and the emerging transferrable digital ownership space is still quite open.

Longtime Gamer & IT Professional

3. Creative director and industry analyst with a publishing company specializing in video games

GameStop faces significant pressure from Walmart’s entry into the used game market. Walmart can afford to sell used games well below competitors and spread that cost throughout the store. GameStop has a short-term advantage of product expertise, but Walmart will quickly master the product line and set appropriate pricing for the games. Mostly hard-core gamers are buying new consoles; less than 25% of games for those consoles are being sold as downloads. However, sales of digital games will steadily increase as retailers set more attractive pricing for them versus physical media. Right now gamers prefer a disc in hand, which has trade-in value, versus a download that costs the same.

Market Share

- “Walmart getting into used game sales is not going to help GameStop, for sure. A lot of people don’t understand how many games Walmart actually moves. It’s a mountain. They’ve got the eyeballs and the traffic to really make a dent in GameStop’s business.”

Pricing

- “What Walmart has going for them is they’re not really a pure game outlet. They can spread costs around the store and maybe undercut by \$5 or \$10.”
- “The one thing that could throw a wrench in Walmart’s plan is not pricing the game competitively. I’m talking about appropriate pricing for specific games. Some can fetch a higher price.”

Advantages/Disadvantages

- “Right now GameStop has game expertise that Walmart doesn’t have, but you know that’s going to change. So long as there is some person at Walmart who is knowledgeable about the fair value of used games, then GameStop will be in trouble. I don’t see Walmart having any long-term disadvantages.”

Downloadable Games

- “I don’t have any concrete numbers yet, but it’s just a matter of time and bandwidth before downloads start to take off. There’s no reason for me to buy discs anymore.”
- “They would move more digital products if they were more appropriately priced.”
- “Pricing will drive demand for digital downloads versus physical media. If they’re priced the same, a lot of gamers would rather own the disc. Downloads are getting faster and their more convenient than running out to the store.”
- “No hard numbers, but I’ll say less than 25% of all new games sold are being downloaded.”
- “Downloads exist partially on the console’s hard drive and in cloud storage. There’s limited space on the disc drive. Some of the Xbox games have started to allow me into the game to play the first level while I’m downloading the rest of the game. I don’t think anyone is taking full advantage of cloud services just yet. It’s coming.”

A lot of people don’t understand how many games Walmart actually moves. It’s a mountain. They’ve got the eyeballs and the traffic to really make a dent in GameStop’s business.

*Creative Director & Industry Analyst
Video Games Publishing company*

Next-Generation Consoles

- “Hard-core gamers are the ones buying the new consoles, so their interest is mainly in getting the newest games to play on their consoles. Downloads will eventually catch up to buying discs off the shelf, and that will also cut into used-game sales.”
- “I don’t know that the newest consoles have started to attract a new audience just yet. It will probably be about a year before it moves beyond hard-core gamers.”
- “Console demand all depends on the games that are bundled with it. Libraries are thin right now. I haven’t seen any killer apps on any of the new consoles.”
- “Used games will continue to sell well for at least another year, until the companies figure out how to price downloadable content so it’s got more features or is somehow more desirable than a disc in the hand. Now, when you finish or get tired of a game, you can cash it in. The disc has value.”
- “Games are always becoming more sophisticated, with more to do. So I think the serious gamers are spending more time with a specific game before moving on to the next. The ratios are probably coming down a little bit.”
- “I would suspect an announcement in June on different bundles and markdowns.”
- “I think the Wii business has been shrinking in the past five years.”

Both Sony and Microsoft are going to have open development programs, so there will be an interesting battle going on between who will develop games for which company.

*Creative Director & Industry Analyst
Video Games Publishing company*

Trends

- “Both Sony and Microsoft are going to have open development programs, so there will be an interesting battle going on between who will develop games for which company.”
- “A lot of developers making stuff will usually result in one or two items of significant quality, but that’s on the indie scene. They’re not getting directives from anyone, so they are free to create. And that spurs innovation.”

4. Principal at a software company specializing in online video games

GameStop’s sales of used games will decline but only if Walmart’s buyback program offers a better deal for the consumer. If GameStop can price repurchases and sales of used-games in line with competitors, it can remain the serious gamer’s top shopping choice. Mostly hard-core gamers are buying the latest-generation consoles, mainly for the superior graphics. Digital downloads gradually will overtake sales of physical media, rendering used-game sales a moot issue.

Market Share

- “GameStop is a more convenient place to shop. They’re usually located in strip malls and indoor malls with easy access. You can run in and out. Going to Walmart is a pain, walking to the back of the store through a bunch of aisles you don’t care about.”
- “If Walmart offers to pay more for a used game, then that would hurt GameStop. It would probably take less than a month for word to get around. But if GameStop can keep prices in line with Walmart, it will be fine.”

Pricing

- “Walmart can probably sell used games for a little less than the competition, but you still have to go into a Walmart and it takes more time.”

Advantages/Disadvantages

- “Serious gamers would rather go to GameStop. They’re in it for the experience as much as anything. At GameStop you can hang out with fellow gamers and talk to people who know what they’re talking about.”
- “Walmart’s main advantage has always been its prices. I can’t imagine any other reason to go in there. I don’t know that they can get their pricing low enough that regular consumers of video games will want to go in there.”

Downloadable Games

- “I’d say 25% to 30% of new games are sold as downloads.”
- “Downloads will eventually overtake games on disc. It’s going to take awhile, maybe two or three more years. I know a lot of gamers who want to own a disc because it has value after they are finished playing the game. Until a downloaded game is less expensive than buying a disc, I think the used game business is safe.”

- “There will be a market for reselling used games at least until the price of a download is cheaper than buying a disc. That could change consumption. Right now, if you buy a disc and get tired of the game, the disc still has equity. You can cash it in.”
- “The ratios are falling. Gamers are spending more time with the newer games, which take longer to play through.”
- “Downloads are usually cloud-based.”
- “Downloads are all about convenience. It’s instant gratification. But if they cost the same as going to a store and buying the same game you can hold in your hand, I think it will skew to physical media for a while longer. You can always sell a disc; you can’t do much with a download once you’re done with the game.”

Next-Generation Consoles

- “We usually hear something about console pricing around the middle of the year at trade shows and conferences.”
- “New consoles get snapped up by the early adopters, the hard-core gamers. Until prices settle down a bit, I doubt you’ll see a mass migration to the newer stuff out there.”
- “It’s the hard-core crowd buying the newest systems. They want speed, the best graphics and killer sound.”
- “The Wii was a big deal in its day. I really don’t think they’ve done much for several years that would appeal to serious gamers.”
- “There’s more competition now, so Sony and Microsoft are trying to get some of the better games bundled with their products. If you look back 15, 20 years ago, a gaming system used to come with a couple of cheap games. That doesn’t cut it anymore.”

Trends

- “We’re going to see more virtual reality systems hit the market when the technology aligns with a consumer-friendly price. You’ll be able to experience simulated environments in 3D. The technology is out there, but it has to be affordable to make sense as a consumer product.”

5. [Guy Coker](#), UK games expert for Wired and BBC; freelance writer and broadcaster specializing in game technology

GameStop is a bigger presence in the United States than in [England](#), where serious players are more likely to buy preowned games on [Amazon.com Inc.](#) (AMZN) and [ShopTo.Net](#). GameStop would need to offer more incentives like free standard shipping to compete. Game companies will delay discounts on current consoles for the next one to two years. With the rise in digital games, physical games will be obsolete in six to seven years, and GameStop’s best chance of survival is to adapt as quickly as possible. It is still extremely influential in the game sphere. Its [Game Informer](#) publication reaches 10 million people and is the biggest gaming magazine in the United States. Also, Gamestop has taken some clever steps to shift its business model and promote downloading. Still, GameStop should emulate Apple Inc. (AAPL) and try to create a retail experience that promotes gaming as a cultural art form.

Market Share

- “GameStop is seen as a big U.S. retailer in the preowned game space, but it’s not particularly well known here in England. It does have a retail presence, but I don’t know a lot of people buying games with them. They are more likely to use Amazon and ShopTo.Net.”
- “Walmart owns some supermarkets here known as [Asda](#), and they did start to experiment with preowned games. But it required more administrative work than they expected, it seems, and to my knowledge they’ve stopped carrying them [in stores].”
- “Preowned games is obviously a lucrative business for the retailers, although publishers would rather not be there. But to a lot of hard-core gamers, that preowned market is very important. If Walmart can make it work, they may be able to attract gamers.”

Pricing

- N/A

Advantages/Disadvantages

- N/A

Downloadable Games

- “The move toward digital is the overriding trend in the game industry. And if you buy a digital game, you can’t sell it at all. Preowned games will be redundant in six to seven years.”
- “GameStop’s greatest chance of survival is adapting. They’ve been quite canny in a lot of areas. Some stores are doing things like offering download codes, where you scratch off the code and download it through the console;

that's where they're being really savvy. There's a lot of shelf space devoted to download codes; you can give them as a gift."

- "Physical games are still very much a reality right now. A lot of people still have slower broadband connections. Speaking in general terms, we also have mum, dad, and granddads who are more reluctant to go online and give their credit card number."

Next-Generation Consoles

- "GameStop still has a major influence on the game industry. Its magazine, *Game Informer*, is still the most influential of game publications. It reaches an estimated 10 million people and is one of the biggest game magazines."
- "PlayStation 4 is more powerful, and their games are seen as better versions. Microsoft is not as powerful in HD resolution, and the export was a less than optimum experience. It was a bit of a PR disaster."
- "Bundling helps bring in customers. [Nintendo's] Wii U is very reluctant to discount, but it will bundle in *Mario Brothers*. Game companies would like to hold off discounting [the current generation of consoles] as long as possible, maybe for the next one to two years."

Trends

- "We're seeing a model toward more experiential models, like Apple stores. There the product is front and center. GAME, for example, has opened up a [game hotel](#) you can go to with your mates; they have all the latest consoles and you can enjoy them in a comfortable suite with pizza, drinks, breakfast, and other amenities."
- "But GameStop is still very old-school. It's a bit grubby; it feels unloved and uncared for. It's not a cultural experience the way the Apple store is. ... The gaming market has matured; it's not just the stereotypical [pimply] teenage gamer; there are older gamers with good jobs and disposable income who would like to enjoy games as a cultural art form."

The gaming market has matured; it's not just the stereotypical [pimply] teenage gamer; there are older gamers with good jobs and disposable income who would like to enjoy games as a cultural art form.

*UK Games Expert for Wired & BBC,
Freelance Writer & Broadcaster*

6. Editor in chief of a video game magazine featuring reviews, guides and cheats

GameStop offers exclusives and other incentives for gamers, but gamers feel exploited both by its exorbitant pricing for used games and the tiny amount of cash they receive for their trade-ins. The amount of content being downloaded in the current console cycle is significant, and the move toward digital gaming eventually may spell the end of GameStop and other physical retailers. Bundling is good for sales if the right games are included. Wii probably has not had a big effect on used sales, since Wii U sales are sluggish and people are holding onto their old Wii units. Except for hard-core gamers, most people are waiting for the next-gen console prices to come down before buying them. Markdowns probably will occur around the holidays.

Market Share

- "Walmart is something to keep an eye on. GameStop has good exclusives for gamers if you're into that. But our whole area is moving toward digital, so GameStop is going to struggle."

Pricing

- "GameStop's pricing is awful. It's way too high for used games. Gamers feel like they've been ripped off. Also, you'll be lucky to get \$10 if you're selling them a used game. You go there if you have nowhere else to go."

Advantages/Disadvantages

- N/A

Downloadable Games

- "In the current console generation, a very significant amount of content is being downloaded. I couldn't name the exact percentage, but it is definitely increasing."

Next-Generation Consoles

- "People don't seem to be adapting to Wii U that quickly. I can't imagine people giving up their Wii yet."
- "I don't think we'll see a markdown on next-generation consoles until at least the holidays."
- "Except for core gamers, most people I know are waiting for a price cut or another incentive before they buy the next-generation consoles. They are quite expensive, up to \$500. The Xbox One is promoting itself as an all-in-one. But people seem to be biding their time before buying."
- "Bundling is attractive, but it depends on what you bundle. You need to have the right game to bundle others with."

Trends

- “Virtual reality is something people are talking about. The Facebook-Oculus [VR] [deal](#) is something to keep an eye on. But the biggest trend is toward digital. The question is whether a physical retailer is going to be around that much longer.”

7. Senior executive of entertainment technology, Japan; game developer and former executive at EA and other companies

The industry has a strong dislike for GameStop, which cannibalizes game company profits by reselling preowned copies of more recent games, thus depriving the developers and publishers of some profit. But more online content is being downloaded on the current consoles, and the next-generation consoles will be based on virtual games. In four to five years at the longest, physical games will no longer even be produced. Unless GameStop soon makes a rapid transition to digital distribution, it is doomed by the move to digital publishing. Mobile is a growing trend, and with online publishing, small indie publishers have more opportunity to get into the market.

Market Share

- “GameStop is also getting some competition from Amazon, eBay and Craigslist, although usually kids don’t have access to those places.”
- “It surprises me that Walmart is getting into the preowned game business because the business will be gone in the near future. Games are moving to online distribution and physical games will be going away.”
- “This will happen, at the longest, in five years. I think the next-generation consoles will all be based on virtual games. GameStop needs to look for some other revenue source and move on to something else. It needs to think about getting into online distribution.”
- “But right now preowned game sales are still a good business. People still play the previous generations like Xbox 360.”
- “I don’t know if the Wii games are a big share of GameStop’s business. I know that Xbox 360, PlayStation 3 and DS are very popular.”

Pricing

- N/A

Advantages/Disadvantages

- N/A

Downloadable Games

- N/A

Next-Generation Consoles

- N/A

Trends

- “The game industry hates GameStop. Game companies spend lots of effort and money to put out a game, and GameStop is taking that business opportunity from the industry. They’re taking the profits that should actually go to the game developers and publishers.”
- “Game companies want to sell and recoup their investment. If some kids buy a new game the day of the release and sell it a week later, it has a good market value, but nothing is coming to the game company. They are seeing drastically reduced revenues and getting nothing for the game they produced. They are losing out to the preowned market and some are going out of business. So people usually don’t go to GameStop.”
- “Compare the game industry to the movie business. You can buy new releases, for example, but stores cannot sell them right away. There’s a waiting period. So for GameStop to sell a game a day or week after it comes out takes the business opportunity from the developer.”
- “The game industry wouldn’t mind at all if stores sold preowned games after a year. They don’t pay any attention to that.”
- “The trend toward digital does offer a better opportunity for small-scale game production. Before companies were promoting large-scale projects with beautiful graphics, and there wasn’t much opportunity for small-scale production. There are more indie games now. The large corporations may be able to keep their advantage by tapping the iPhone [Apple] and Android [Google Inc./GOOG] market. No one can compete with them in terms of big cash.”

It surprises me that Walmart is getting into the preowned game business because the business will be gone in the near future. Games are moving to online distribution and physical games will be going away. ... This will happen, at the longest, in five years.

Sr. Executive of Entertainment Technology

- “In the console cycle, at least for PlayStation 5, I expect the majority of new games will be online. If the game industry moves on to virtual distribution, GameStop won’t have anything ... then its business will be gone. That’s why developers are willing to move on to online distribution.”
- “Some titles in PlayStation4 and Xbox One are very well done.”
- “The game world is changing. There are more social games. Kids are always willing to try something fun, and developers are trying to catch this opportunity. Kids don’t need a lot of hardware. They have smartphones, tablets, so games will survive.”
- “People in their 30s and 40s really like hardware games. They also play a lot of the cultural games on Facebook. But in Japan at least, teens are most playing on the iPhone and Android devices. They don’t talk much about PlayStations.”
- “My own kids used to play [The Walt Disney Inc.’s/DIS] [Club Penguin](#), then they played [Minecraft](#). They also played [Electronic Arts Inc.’s/EA] [SimCity](#). My son educated himself in how the city is operated and learned a lot.”

8. Executive director of a degree program in video game design at a Florida university

GameStop’s cool factor will help the company as it competes with Walmart in the used-game sector. GameStop likely will be forced to adjust pricing on used games, although hard-core gamers will continue to prefer GameStop. Physical media still has the value advantage over a downloaded game, as discs can be exchanged for cash or store credit. Downloads constitute less than a third of all new games, but an impact on discs can be expected in one to two years. Microsoft and Sony do and will control distribution of downloaded content.

Market Share

- “There’s lots of places to distribute this kind of product. You’d think comic book stores would go away, but they haven’t. Same with GameStop. There is something cool about GameStop. Gamers like going in there.”
- “Look at the average gamer who returns games: They trade and they get money they use to buy more games. Obviously, Walmart has everything, but most gamers are just thinking about games. It might be location-based, but GameStop is still a fun place to be versus walking to the back of a Walmart.”
- “If Walmart can get market share, it will probably take six months for GameStop to feel the impact. But these things don’t occur in a vacuum. GameStop is undoubtedly aware of the steps it must take. In-stock selection and pricing are key.”

Pricing

- “Walmart will try to undersell as much as it can. That’s what Walmart does.”
- “Price reductions will probably come around midyear to fall.”

Advantages/Disadvantages

- “Walmart may gain an edge on price, but GameStop still has the fun factor. Some of this may come down to where you’d rather be. GameStop is full of other gamers.”

Downloadable Games

- “All the newer systems have multiple other uses or serve as other devices, and you’ll see more and more of that. Content is still king, so as long as people want to play interactive video games there will be more downloaded content. Sony and Microsoft will be controlling that distribution.”
- “At some point, downloads will overtake physical media, and that will impact used game sales.”
- “Next-generation consoles will see more downloads because they have the capability and are much faster. So that will eventually have an impact on used-game sales, maybe in another year or two.”
- “Less than a third of new games sold are downloaded.”
- “Downloads offer immediate access to the game. You don’t have to leave your room. I think there’s still a pretty large consumer base who want a disc that has trade-in value and are willing to run out to the store to complete the purchase.”
- “Most digital downloads use cloud-based storage.”

Next-Generation Consoles

- “TIE ratios are probably about the same as they have been. Whenever a new console comes out, developers are ready with games to play on that machine.”

- “The PlayStation 2, the Xbox and the Wii were groundbreaking. By the time these newer consoles came out, most people didn’t see anything really groundbreaking. People who demand the best graphics and sound are gravitating to the newer consoles. That’s the hard-core gamer.”
- “Demand for bundled consoles really depends on the games that come with them.”

Trends

- “Virtual reality stuff is here. You put on big goggles, a headset, and you are in a virtual world, maybe walking through a forest. The types of 3D and virtual reality things you see at theme parks are coming to gaming.”

9. Programmer for a California game design company

GameStop will lose business on used games to Walmart in the short term, but then will rebound as customers realize the value proposition of not having to go into Walmart. GameStop stores typically are located in convenient strip and indoor malls. The company also cultivates a gamer environment.

Market Share

- “Maybe over six months GameStop would lose business, but I think it will come back. Their customer base is the serious gamer.”
- “People who want to hang out with other gamers and talk about what they’re playing; they don’t want to go to Walmart.”

Pricing

- “Walmart will probably buy used games and pay a little more for them at first. They’ll do that to gain some of the market. It usually doesn’t last. I think the idea is to get people in the habit of shopping at your store, then adjust your prices.”
- “Walmart’s games, title for title, are pretty much the same price as you’d pay at GameStop.”

Advantages/Disadvantages

- “Walmart can lure more people on their pricing power. GameStop is a known quantity. People who play video games recognize it as a good place to go and talk with other gamers. I don’t think that core base of customers is going away.”
- “GameStop has a deeper inventory than Walmart, so I don’t think people are going to bother cashing in old games at one store in order to buy more games and gear at another.”

Downloadable Games

- “Eventually downloads will replace discs, so maybe in two years you’ll see a hit on the used game business. Downloads and discs cost about the same, so the advantage with a download is you get the game immediately. For a disc, the advantage is you have something to trade or sell later on.”
- “I’d say maybe 30% of new games sold are downloaded from the source.”
- “Until downloads are cheaper than the same games on disc, people will still want to buy and sell used games.”
- “TIE ratios haven’t changed.”
- “Digital downloads are stored in the cloud.”

Next-Generation Consoles

- “The next-generation consoles will focus more and more on downloads, which are more profitable. You sell the same game, push it as a download. There’s no disc, packaging, printed material or the cost of distribution and markups at different points along the chain.”
- “Serious gamers want the latest consoles. Speed and features make a competitive difference in MMORPG [massively multiplayer online role-playing game]. For the more casual gamer, last year’s model or the one two years ago is good enough. They’ll upgrade when the price drops a bit.”
- “I’d look for lower prices on game consoles in the summer or early fall.”
- “I think the only reason to buy a bundle is if you like the games that are included.”

Trends

- “Graphics are always getting more realistic. Each new generation of a game usually has better artificial intelligence programmed into the characters. There’s a lot of experimenting with immersive technology like a closed helmet; you see the game from inside the helmet with surround speakers. Eventually you’ll see game accessories like gloves with sensors, so you can manipulate aspects of the game by holding up your hands and moving your fingers.”

10. Armando Marini, founder and chief innovation officer of [EntreMaX](#), game industry professional and consultant

Walmart's effect on GameStop will depend on its pricing and locations. Gamers will not go out of their way to drive to a Walmart. Also, veteran gamers likely will remain loyal to GameStop because its staff is "passionate" and well informed. Downloaded content is on the rise and represents the biggest challenge to GameStop's market share and even its existence. The next-gen consoles likely will be the last to offer physical games, and by 2016 finding in-store copies of many games will be difficult. GameStop must become an online publisher/distributor if it wants to survive. However, Wii games were a fad and are not a big factor in GameStop sales. Companies' move toward bundling and being a one-stop shop of entertainment also is a trend. However, publishers are doing a poor job of connecting games to mobile via apps.

Market Share

- "[Walmart's program] will have some kind of impact. It will depend on pricing. When I see a GameStop, there's a Walmart nearby. They are often in the same mall. It may boil down to who will pay the most, the trade-in value for games, and new purchases."

Pricing

- N/A

Advantages/Disadvantages

- "I don't know if Walmart has an advantage other than being the go-to place for a lot of people. I'd always send people to GameStop. GameStop has staff people who are passionate about games and very well versed in all the titles. In Walmart, that's not the case. And it will be hard for Walmart to pick that up."

Downloadable Games

- "There's definitely a significant increase in downloaded content with the new consoles. It's an advantage for people who are on board with downloading. [PlayStation Plus](#), for example, is offering free games. If sales for a game are lackluster, downloads are a good way to publicize the game."
- "The trend toward digital downloads will have more of an impact on GameStop. The trend toward digital in music and movies is coming to games. Just as you don't have to store all those CDs, you won't have physical games taking up space either."
- "Putting out digital content is an advantage for publishers because they don't have to worry about warehousing and resell. No one else is taking a cut. The downside is that you have to have a certain level of sophistication to buy games that way. Parents buying games for their kids may feel more comfortable going to a game store and getting a physical copy. GameStop is still useful to people who are Luddites in that sense—Generation X and older—and will be for some time."
- "I estimate that physical games will be sold for another four to five years. This will be the downfall of the used game business. By 2016, the shelves will be really bare."
- "The new generation will probably be the last generation to use physical games. I don't see the need for new consoles after that. When you can stream and download games, why store them? People have some concerns such as how to keep track of games, but those will get worked out."

Next-Generation Consoles

- "GameStop's days are numbered. I don't think they can transition to the digital model ... unless they become a game publisher. [Valve Corp.'s online game platform] [Steam](#), for example, carries about thousands of games. GameStop needs to evolve into a digital storefront and live in that space if it wants to survive."
- "The current generation of consoles is really good. They have great graphics, although there's a little less pomp and circumstance over graphics than there used to be. This summer [PlayStation Now](#) will allow players to stream games from PlayStation3. Xbox One can also stream video [from Windows Media Center 7 and Windows 8.1 PCs]."
- "The thing with Wii is that it wasn't really interesting to gamers. It was a fad. None of those who bought it were gamers. People bought it as a novelty, but it can't hold its own. My son had one, and now it sits and collects dust. That's why you see so many of them in the used bin at GameStop. It won't have that much of an impact one way or another."

Trends

GameStop's days are numbered. I don't think they can transition to the digital model ... unless they become a game publisher. GameStop needs to evolve into a digital storefront and live in that space if it wants to survive.

*Founder, EntreMaX &
Game Industry Consultant*

- “Publishers need to look at how they can make their [content] more interactive. ... Of course, horsepower is a double-edged sword. For better graphics, you still have to have a lot of labor. There’s a cap on the quality of games now. Their graphics have not really improved on a tangible level for some years now.”
- “Bundling and becoming a one-stop shop is a definite trend. Sony and Microsoft will muscle more and more into this arena if they’re savvy. A publisher may offer Netflix for a year, or access to other games. There are two ways of looking at it: pay as you go, or buy the service when you buy the console and get other great games. The latter makes more sense for the consumer.”
- “The [publishers] are not doing a good job of having the game be more than a console experience. You’re still locked to the console. Why not be able to play the game on my mobile phone? The question is, how can I experience the game beyond the console? I don’t think publishers will catch onto that for another year or so.”
- “Publishers can’t get the notion of connecting the games to mobile, and consoles will have to do that to compete. Every game will have an app. Honestly, that will have to happen or they’ll be left behind.”

11. [Chris Morris](#), game industry expert and correspondent for Yahoo! Games, *Official Xbox Magazine* and others

Despite Walmart’s promise to pay higher prices for used titles, gamers still are more likely to favor Gamestop because it is dedicated to gaming. Walmart’s reentry into the used game business cannot be overlooked, but the real threat to Gamestop is the trend toward digital games, which cannot be resold. Gamestop deserves credit for making some core changes to its business model to adapt to this sea change. Bundling games in consoles boosts sales and helps reenergize platforms. Wii was not that instrumental in preowned sales because people tend to keep games like *Mario Brothers* to pass on to their children. Also, hard-core gamers are not interested in third-party Wii games. The current generation of consoles is selling briskly and will not be marked down for at least one year.

Market Share

- “You can never rule out Walmart: It’s too big to ignore. But they’ve tried to get into the preowned game business before, and it didn’t work out too well. It’s a lot of work to process the games, price them and clean them up. GameStop has an actual [preowned game] processing division, while Walmart is doing it with a third party.”

Pricing

- “Walmart has said they’ll be paying more for the preowned games, and they have the deep pockets. Walmart is Middle America; that’s the audience that is buying physical games. It’s not so much the selection; it’s the demographics of the audience. Core gamers tend to go to GameStop because that is a more focused store.”

Advantages/Disadvantages

- N/A

Downloadable Games

- “In this console cycle, the amount of downloaded content is definitely going up. Sony has seen a dramatic increase in downloaded content with the launch of the PlayStation 4.”
- “There are still a lot of people who want to play the physical games, but as broadband speeds get faster and more affordable, more and more people will be drawn to digital games. You won’t have to drive to a store and wait to get the latest game.”
- “People who say physical games will go away in four to five years are being a little ambitious in their estimates. ... It’s too early to put a number on it. Outside of big cities, the majority of people buy physical copies of games. Even if you do have high-speed broadband, it can take one to two hours to download a 50-GB game.”

Next-Generation Consoles

- “What will really impact GameStop is not Walmart but that the game business is shifting from a retail model to a digital model. You can’t resell a digitally purchased game at GameStop, and that’s why GameStop is making some fundamental shifts in its business model. GameStop is just at the start of this process, and it has some good, interesting ideas. It’s not taking an ostrich approach to this, which they’ve been accused of doing in the past.”

There are still a lot of people who want to play the physical games, but as broadband speeds get faster and more affordable, more and more people will be drawn to digital games.

*Game Industry Expert &
Correspondent for Yahoo! Games*

- “It costs a lot to create these games. ... When a gamer sells a new game soon after buying it, the developers and publishers don’t see a penny of that. Plus, if someone is buying that used game, it means they’re not buying the new game that was just released. Publishers tend to see GameStop’s preowned sales as cannibalizing their profits.”
- “Bundling games with a console always helps. ... It’s a good way to invigorate your platform.”
- “Markdowns on this generation of consoles ... at least a year or 1.5 years away from that. They’re still brand new and selling well. There’s no race to the bottom or price drop any time soon.”

Trends

- “Mobile is still a force to contend with, as are free-to-play games on consoles. A couple publishers have tried that, and it’s working well for them. It’s an incentive for players to at least try a new game, or even pay for it through microtransactions. In the app model you can pay for a taste [of the game]—pay a buck and have it happen now.”

12. [Matt Matthews](#), gaming industry blogger for Gamasutra

Walmart likely will not make any kind of meaningful dent in GameStop’s used game business as GameStop has built an impressive marketing and operational juggernaut around this market. However, as digital delivery gains ground, the used game market will shrink and GameStop will suffer. It likely will transition into a local electronics retailer.

Market Share

- “If I were GameStop, I would be completely unconcerned at this moment.”
- “This is at Walmart’s second attempt at this. Other retailers have tried without success. Best Buy has a program in place. Walmart had kiosks ... in stores where you could deposit used games and get credit. It was unsuccessful.”
- “Other than Walmart being everywhere, what do they have going for them? GameStop has an established culture and a huge presence in the market.”
- “GameStop has two things other companies can’t compete on: They’ve been working on this for a long, long time. ... The other thing is the combination of *Game Informer* [magazine] and the [rewards card](#) that GameStop uses extremely efficiently.”
- “GameStop has a wide footprint. Their system of retrieving games from the consumer, refurbishing them if necessary, and then redistributing them to the stores works really well. That kind of customer interaction could never exist in a Walmart. ... For Walmart to affect that, it would have to shift its culture. ... They have to have a hook that can get them into the market other than being everywhere.”
- “From [the rewards card], GameStop can take that large database and turn it around for marketing.”
- “If you ask people where they sell video games, they’ll say GameStop or a pawnshop. In order for Walmart to affect that, they will have to shift that culture.”
- “GameStop has made the claim that they put a billion dollars back into buying games [through the used game program]. Will Walmart come anywhere near that? I don’t think so. I think we’re talking about very small numbers.”
- “Walmart is already selling games through their website.”

Pricing

- “It all depends on where those games [that Walmart buys] end up eventually. It’s possible they won’t be as competitively priced as GameStop.”

Advantages/Disadvantages

- N/A

Downloadable Games

- “Buying a license digitally, it’s a cultural shift.”
- “Currently you have a system call PlayStation Plus where ... as long as your subscription is current, you get a license for a brand-new PlayStation 4 game of their choice, plus two catalog choices of PlayStation 3.”
- “They’ve also been beta-testing a streaming service, PlayStation Now, which is on demand—similar to Netflix—although it’s not clear what they’re going to do.”
- “I subscribed to PlayStation Plus when it first came out. I haven’t purchased a physical game in years. I have hundreds and hundreds of licenses.”

Next-Generation Consoles

- “GameStop will see the tail of the last generation of games truncated substantially compared to PlayStation 2 and Xbox. ... There won’t be nearly the breadth of Xbox or PlayStation 2 used games. GameStop will suffer, Walmart will suffer. It will be a much less lucrative market.”

- “The PlayStation 2 came out in October 2000. You could still buy brand-new games for PlayStation 2 in 2011.”
- “My guess is you’ll see from big publishers a much bigger emphasis on new-generation games and only token support for older-generation games. By the time 2016 rolls around, [new games for the PS3] will essentially be gone. By 2016, there will be absolutely nothing but small niche games on Xbox 360 or PlayStation 3.”
- “Before the Xbox One and PlayStation 4 came out, there was tremendous demand for something new. In the UK, there was something like a 40% to 60% decline of Xbox 360 and PlayStation 3 software March over March of last year.”
- “Another important issue is how licenses will be handled, especially by Sony, what they do about a la carte pricing for older games. ... The demand for PlayStation 3 [physical] games will go down if you can stream for what would be a nominal fee.”

“Unless there’s a change in the way resellers can handle licenses, there will be no games for GameStop to sell in 10 years. They’ll become a pure electronics retailer, sort of like what Best Buy was like.”

*Gaming Industry Blogger
Gamasutra*

Trends

- “GameStop has been taking its eye off the ball. ... They’re talking about ‘GameStop 3.0,’ with refurbished mobile devices, a wireless network, digital delivery. This is too far afield from their core competencies.”
- “[Refurbished mobile devices](#) is their fastest growing segment. ... Every store has some wall space dedicated to refurbished mobile devices. They also sell brand-new Amazon Kindle Fire devices, and there’s talk of them selling new wireless services.”
- “Video games will go the way of books and movies: They’ll become ephemeral.”
- “Unless there’s a change in the way resellers can handle licenses, there will be no games for GameStop to sell in 10 years. They’ll become a pure electronics retailer, sort of like what Best Buy was like.”

2) Walmart Electronics/Game Section Employees

All four sources said customer awareness of Walmart’s used game program is low. Three of the four sources remain positive on the program, but one believes it will not catch on. Sources expect Walmart’s used game resale pricing to be competitive, but one believes GameStop pays more for trade-ins. Also, GameStop is known for its inventory. One source’s shelf space for games has doubled and yet one-third of the shelves remains empty based on demand. Next-generation console pricing has not been lowered yet. Digital downloads of games have risen but not enough to affect physical game sales.

KEY SILO FINDINGS

Market Share

- 1 source buys 1 used game per day, said program will take 3 to 6 months to affect GameStop once Walmart starts selling the preowned games.
- 1 source takes 2 used games per week, doesn’t expect used game sales to catch on.
- 1 source said people are just starting to find out about Walmart’s program; expects it to take market share from GameStop.
- 1 source said Walmart is not trying to take GameStop’s share but rather is offering yet another service for its existing customers.

Pricing

- 1 source said shelf space for video games has been doubled and yet inventory still isn’t sufficient.
- 2 sources expect Walmart’s pricing to be competitive.
- 1 source thinks GameStop pays more for trade-ins.

Advantages/Disadvantages

- GameStop’s advantage is its inventory.
- Walmart’s advantage is the store credit for used games.

Downloadable Games

- 2 sources said the next-generation consoles have boosted game downloading but not enough to affect physical game sales.
- 2 others also said downloading has not affected physical game sales.
- 1 source said consoles lack sufficient storage room for games.

Next-Generation Consoles

- 1 source expects discounts on next-generation consoles to start in June.
- 2 sources said next-generation consoles regularly sell out.

1. Walmart electronics department associate, Chicago area

This store does not yet sell used video games but started a game buyback program a few months ago for in-store credit only. Walmart has done a soft advertising campaign, and awareness of the program needs to build before the company can compete with GameStop. In February, the department added one 4-foot shelf with 56 facings of older, discounted, unopened games. Inventory sold out continuously, so shelving was doubled in March. On the day of Blueshift's visit, 34 of the 112 facings were empty because of high demand. New consoles continue to attract business. The department receives four PS4s biweekly and sells them out in a day or two. Since their release, the Xbox One has dropped from \$499 to \$449 while the PS4 has remained at \$399. The new-generation consoles have boosted the rate of game downloads.

Market Share

- "We do not currently have a used video game business; we just buy back titles for sales credit. All video games on our floor are new."
- "Our buyback program is doing OK. Not that many customers know about it yet. That is why we have the floor sign at the end of the aisle advertising it."
- "We get in about one trade-in per day, at most. We have only been doing it for a few months."
- "When a customer brings in a game, we have to look it up in the computer, answer a bunch of questions about its condition and then the computer tells us how much store credit to issue for the trade."
- "We have not put any pressure on GameStop, yet. But once the word is out, we should do pretty well and could be more a threat."
- "If we start selling used video games, it would take three to six months for the news to get out and for it to take some of GameStop's business, but GameStop is the known video store."

Our buyback program is doing OK. Not that many customers know about it yet. That is why we have the floor sign at the end of the aisle advertising it.

*Walmart Electronics Department
Associate, Chicago Area*

Pricing

- "The prices of our games, especially the new releases, are pretty much the same as GameStop's prices."
- "The section kept selling out so we doubled it in March to two 4-foot shelves. First, we had 56 facings, and now we have 112."
- "Even with doubling the shelf space, this section is often mostly sold out. It is rarely full. Now, out of the 112 facings available, 34 are empty/out of stock."
- "When we mark down the older games to \$14.97 or even \$9.97, we sell out. People buy anything and everything."

Advantages/Disadvantages

- "The advantage GameStop has is that is video games and consoles are what they are known for. People shop here for those items, but it is not what they primarily shop for here. We are known for stocking a little bit of everything."

Downloadable Games

- "People are downloading a lot more games since the new-generation consoles came out. The catch is you can only use PS4 games on the PS4 machine. So if you get a new console, you have to get all new games, and there are not that many out yet on disc."

Next-Generation Consoles

- "The new consoles do draw in a new audience. We get in about four PlayStation 4s every other week, and they are sold out again in a day or two. We don't have any PS4s in stock now, but we do have PS3s and Xbox Ones available."
- "There have already been markdowns. The Xbox One was \$499, and now it is \$449. The PS4 is still \$399."
- "Bundles do help sell consoles. People don't want to buy everything separately."

2. Walmart game section associate, Florida

Walmart's game trade-in program will not catch on, nor will it affect GameStop. Walmart will have to offer credit that is equal to or more than GameStop's to gain any ground. Resale of games is only online at this time. Next-generation consoles are not affecting physical game sales yet.

Market Share

- "It won't catch on here. Most people think their games are worth more than we are offering in credit. Most trade-ins we have gotten have been really old."
- "We have had two trade-ins per week since we started this."
- "This is not the place for big gamers to trade in. It won't affect stores that have been doing this for a long time."
- "If Walmart is starting to buy used games, I think other retailers like us will follow."

Pricing

- "I don't know what GameStop offers for their games. Walmart has that built into our system. They come up with the prices based on the game, how old and the quality."
- "I am sure our resale prices will be comparable to those of other retailers if not less. We don't sell the games here. They are only online now."

Advantages/Disadvantages

- "We have the advantage of other goods besides games. People who trade in are not limited to just video games. They can buy food, clothing and more."
- "I can see GameStop has the advantage of a better selection of games. They have also been doing this awhile, and people know they do it. We are just starting to do it, and a lot of people don't know about it yet."

Downloadable Games

- "People are still buying the physical games here. The new consoles have not affected that yet."

Next-Generation Consoles

- "Markdowns will come in June, July. I'm not sure on what yet."
- "Sales on the bundled consoles depend on the game. If they don't like or need the game it comes with, they just buy the console. I haven't seen it drive a sale yet. It is more of a bonus. If the new consoles came with more than one game already on them, that would help move toward more digital games."

Reporter Observations: On a Thursday afternoon this store had no signage promoting the trade-in program. Eighty percent of the games were in locked shelving units. A 10-year-old boy and his mother were in the game aisle playing on the Wii. No other department traffic was noted.

It won't catch on here. Most people think their games are worth more than we are offering in credit. Most trade-ins we have gotten have been really old.

Walmart Game Section Associate
Florida

3. Walmart sales associate, Missouri

Walmart is out to beat GameStop in the gaming business and expects to cut into its share through lower prices on both used and new products. The store is buying used games, but the source was unsure when they would be resold.

Market Share

- "We can take market share from GameStop. We really want to beat them in this and get more of the games business."
- "It will take a little while for us to make an impact. The games we are buying from people are being sent out from all the stores for refurbishing, as I understand, and the ones in good shape will be sent to us for resale. So far, we have only bought a few games from people at this store that I am aware of. People are just finding out about it. Most of the customers have used the store credit to buy other games."

Pricing

So far, we have only bought a few games from people at this store that I am aware of. People are just finding out about it. Most of the customers have used the store credit to buy other games.

Walmart Sales Associate, Missouri

- “Our game prices are the same as for GameStop on the newest games, but we beat them on price for the older ones and we have a lot of sales.”
- “When we get the used games in, I expect them to sell for a little less than at GameStop. We haven’t been told.”

Advantages/Disadvantages

- “One advantage we will have is price, I think. That will count with parents, for example, who don’t want to bring their kids to GameStop, where the price of most games and accessories is a lot higher. If they come for used games, they may buy other games too that beat the prices of GameStop. Another thing is that a lot of people work at Walmart, including many young men who are gamers. They will buy the used games and tell friends about it. Walmart employees get a 10% discount on all store purchases.”

Downloadable Games

- “It’s hard to say how much the new consoles are increasing downloaded games. People usually buy those games at home.”

Next-Generation Consoles

- “The new-generation consoles are still selling well; it’s hard to keep them in stock. They appeal to people who want to buy games online and don’t have to come to the store.”
- “We have not marked down the new consoles at all, except on Black Friday. The prices are the same as at GameStop.”
- “Even with the new consoles, the demand for used games will stay high. I, for one, did not get a new console. I am happy with my Xbox 360. It plays a lot more games than the new consoles, and I don’t have to spend \$400 to \$500.”
- “People usually buy two or three games with a new console. That seems to be about the same as with the previous consoles.”
- “Some people buy the bundled games with the new consoles, but they do that online.”

Reporter Observations: On a Wednesday afternoon the store had about 45 feet of locked glass cases filled with newer, more expensive games and several shelving rows and bins of lesser games. The trade-in program was only being promoted on a small vertical banner in front of the glass cases.

4. Walmart video games/electronics sales associate, California

Walmart wants to provide customers one more way to stretch their dollar, not to create competition for GameStop. The buyback service was launched three months ago in this store, but few customers are taking advantage of it. Walmart’s trade-in price is likely not as high as GameStop’s. The source does not expect physical game discs to ever go away. The store sends its used games off for refurbishing; after that, the source was unsure where the games end up. Console issues center around storage; the new consoles can only hold about three good games.

Market Share

- “I don’t think this is as much about competition as it is about offering customers a way to save. We aren’t able to compete with GameStop because obviously they have the content and the loyalty of an established gaming community already in place.”

Pricing

- “Of course our prices are going to be lower for buying used games, but we don’t do that in the stores and I’ve not heard we are going to. To be honest, I don’t think the best bargain for trades for store credit is really going to be found here. For example, we just recently bought back [EA’s] new *Titanfall*, and I think they got \$23 for a \$60 game. I’m not sure what GameStop would pay for that, but it’s got to be a little more.”

Advantages/Disadvantages

- “The advantage we have is not that important to serious gamers. We really are just offering this as a way to help customers get one more way to make some money or save on other items in the store.”

Downloadable Games

I don’t think this is as much about competition as it is about offering customers a way to save. We aren’t able to compete with GameStop because obviously they have the content and the loyalty of an established gaming community already in place.

Walmart Video Games/Electronics
Sales Associate, California

- “Storage is an issue to be looking at. I know they are working on consoles and PCs with terabyte data storage capability, which will be good for gamers who want to download.”
- “As far as downloading games to the consoles, that’s not quite there mostly because they just don’t have a big enough inventory yet.”
- “I think people are still buying more hard discs than downloading, although I know [downloading is] increasing.”

Next-Generation Consoles

- “The next-gen consoles are great, they have great speed and graphics, but they don’t have the memory to store more than a few games. ... I would rather hold on to my old Xbox and keep playing my older games and trade them in for others than drop \$500 on a console that will only allow me to play newer games. There’s just not enough of an incentive yet.”
- “I don’t think it will be less than three years before they come out with any new consoles. I don’t think either of the two new ones, or Wii consoles are driving new serious games in, yet. There’s too much at stake with all the content they either have downloaded or invested in [hard discs] for the older consoles to upgrade. They’re too expensive to shell out money for just to get your hands on one game.”
- “Wii is pretty old-school although still a popular special gift item at certain times of the year. We don’t sell many consoles, including Xbox or PlayStation, in this store throughout the year.”

Reporter Observations: Store traffic was light during our Thursday afternoon visit, and no customers brought in games for trade-in. The section was very confusing and lacked program signage.

3) GameStop Employees

Neither source believes Walmart’s game buyback program will take share from GameStop. The two companies’ prices likely will be comparable, but one source believes Walmart’s advantage may be its [price matching](#). Still, GameStop will be buoyed by its knowledgeable staff, loyal customer base and rewards program. Neither source noted a drop-off in physical game sales following the release of the next-generation consoles. One source believes only 10% of games are purchased via downloading. The other reported a growing trend in mobile device games.

KEY SILO FINDINGS

Market Share

- 1 source sees no immediate effect on market share, will need to monitor Walmart’s program over time.
- 1 source doesn’t think Walmart will take share because Best Buy didn’t when it started its game buyback program.

Pricing

- 1 source said the 2 companies’ price should be comparable.

Advantages/Disadvantages

- 1 said GameStop has loyal base of customers and knowledgeable staff.
- 1 said GameStop has the benefits of a subscription program plus 10% off when repurchased.
- 1 source said Walmart’s advantage is its low price guarantee.

Downloadable Games

- 1 source said more than 90% of games are still physical discs.
- Neither source has seen much of a sales decline since the next-generation consoles were released.

Next-Generation Consoles

- 1 source doesn’t expect next-generation consoles to be discounted in the near future.
- 1 source said sales of next-generation consoles are limited mostly to hard-core gamers.

Trends

- 1 source foresees more games being played through mobile phones and tablets.

1. GameStop assistant manager, Missouri

Despite Walmart's entrance into the used game market, GameStop will retain most of its customers based on brand awareness, the company's knowledgeable sales staff and its game variety. Still, Walmart is bound to take at least some customers given its general floor traffic.

Market Share

- "It's not going to cripple GameStop. We will still have a much greater variety of used games to offer people because of the volume of business we do. Also, customers come here because we know more about video games than the sales people Walmart. You go in there and you never know who might wait on you."
- "Of course, Walmart will get some of our business, such as from people who go to Walmart anyway and may buy a game along with a lot of other things. But I think that will be very gradual process for gamers to realize that Walmart sells used games. I can't say how long it might take."

Pricing

- "They haven't started selling used games yet, so I'm not sure how their prices will compare to ours. I don't know how much they are paying for the games."
- "When Walmart has sales, they will beat out prices; otherwise, I think the prices are about the same. We have sales too, but Walmart has the price match. We don't match prices of competitors."

Advantages/Disadvantages

- "We have a pretty loyal base of customers, real gamers, who will keep coming to our stores. Walmart might have pricing advantages because they sell so many other products in the store that they can discount games to be competitive."

Downloadable Games

- "I haven't seen a significant increase in purchases of digital games since the new consoles came out."
- "More than 90% of the games bought are physical games. The hard-core players who are more likely to buy digital are a small fraction of the total customer base."
- "I think fewer than 10% of the games for the new consoles are being bought and downloaded at home."

Next-Generation Consoles

- "The hard-core gamers are more inclined to like the new consoles so they can download games and keep them as a collection. The more casual gamer buys a game, gets done playing it and just wants to turn it in for another game."
- "I am not sure when the consoles might get marked down. It doesn't appear like that will happen in the near future."
- "It's going to take a while for the new consoles to erode the used game business and trade-ins. You can only play 20 to 25 games on the new consoles, but you can play 20 to 2,500 games on the old ones."

Trends

- "More games will be played using apps and tablets."

Reporter Observations: This store was less than a mile from a Walmart with large selection of video games and the trade-in program. It also was near a Best Buy and many other stores and restaurants. The store had window marketing material for the Xbox One and PS4, as well as GameStop's membership program.

The hard-core gamers are more inclined to like the new consoles so they can download games and keep them as a collection. The more casual gamer buys a game, gets done playing it and just wants to turn it in for another game.

GameStop Assistant Manager, Missouri

2. GameStop sales associate, Chicago area

Based on Best Buy's lackluster performance in the used game market, Walmart may have trouble grabbing some of GameStop's share. Video games prices are comparable across all retailers. The source's business has been steady this year, and the store sells 10 to 15 games and one console, mostly of the new generation, daily. Pricing for the 250-GB Xbox 360 was \$199, down from \$229, on the day of Blueshift's visit. The source said bundles do encouraged sales.

Market Share

- "I heard Walmart was going to start a trade-in program, but I'm not too worried about it affecting our business."

- “Best Buy tried it already and it didn’t work, so I don’t think Walmart will have any better success.”
- “If Walmart were to make an impact on our store, which I don’t think they will, it would take nine months to a year.”

Pricing

- “I don’t know much about Walmart’s program, but I imagine their prices are comparable to ours. Most places’ prices are all about the same for games.”

Advantages/Disadvantages

- “We have so much more to offer gamers, especially if they’re members of our program, which cost \$14.99 a year.”
- “We offer 10% additional store credit for trade-in for members, and they also get a 10% on purchases. I don’t think Walmart will be able to match our program benefits.”

Downloadable Games

- “People have been downloading games for years. It has not especially picked up since the new consoles came out.”
- “Downloaded games take up a lot of space on your hard drive, so that’s a big advantage to having a hard copy of it in case something happens to your download.”
- “Since the new-generation consoles came out around Christmas, we have not seen much of a decrease in business due to more people downloading.”
- “We also offer the codes to download games, and they do sell.”

Next-Generation Consoles

- “Xbox 360 prices dropped today for the 250-gig. They were \$229, and now they are \$199. We also have preowned PS4s in stock, but they’re only \$20 less than the new.”
- “We have preowned bundles for Xbox 360s and for PS3s that are under \$300.”
- “Bundles do tend to make people want to buy the games more because they get everything they need to play the game.”
- “I sell one console about every other day; most often they are the new generation.”
- “On average, we sell 10 to 15 games a day, and on our busiest day, Sunday, we sell around 30 games.”
- “I sold a Nintendo 3DS today.”

Trends

- N/A

Best Buy tried it already and it didn’t work, so I don’t think Walmart will have any better success.

*GameStop Sales Associate
Chicago Area*

4) Gamers

Five of nine sources believe GameStop could be threatened by Walmart’s used game program if the latter’s prices for buybacks and resale are more competitive. Of the remaining four sources, two see the digital download trend as more of a threat to GameStop. Three sources believe Walmart will be able to sell games for less than GameStop, but GameStop’s advantages include its superior customer service and employee knowledge, superior game selection and the rewards program. Two-thirds of sources already are active downloaders, using the method for 20% to 100% of their game purchases. Concerns in downloading titles include limited console storage space, the inability to share games, and the risk of system crashes. Trends gaining momentum include virtual reality, games that teach and mobile games.

KEY SILO FINDINGS

Market Share

- 5 sources believe Walmart can take share if its prices are more competitive than GameStop’s.
- 2 sources believe digital downloads are a greater threat to GameStop.
- 2 sources believe Walmart is no threat to GameStop.

Pricing

- All sources expect prices for game buybacks and resale to be a main factor to Walmart’s success.
- 3 sources believe Walmart will be able to sell games for less than GameStop.
- 2 sources believe Walmart must offer better prices and/or a membership program in order to compete with GameStop.

GameStop Corp.

- 1 source believes Best Buy and [Target Corp.](#) (TGT) already offer more competitive trade-in prices than GameStop.

Advantages/Disadvantages

- 5 sources said GameStop's advantage is its superior customer service and employee knowledge.
- 3 sources believe GameStop's advantage is its superior game selection.
- 1 source praised GameStop's reward program.

Downloadable Games

- 3 sources foresee increased use of downloads.
- 6 sources download games for 20% to 100% of their game purchases (1: 20%, 2: 25%, 1: 50%, 1: 70%, 1: 100%).
- 2 sources have made no game purchases via downloads.
- 1 didn't specify the amount of game downloading.
- Concerns surrounding downloadable games include lack of storage, inability to share games, and system crashes.

Next-Generation Consoles

- Next-generation consoles have not yet been discounted.
- 2 sources are waiting on more game titles to be released before buying a next-generation system.

Trends

- 1 source cited 3D virtual reality as an emerging trend.
- 1 noted a trend in games that teach.
- 1 said renting games through [GameFly](#) and Netflix is becoming a movement.
- 1 foresees mobile games capturing market share, thinks "chapter-sized" games will take off.

1. 40-year-old gamer, Oklahoma

GameStop could be affected by Walmart's entry into used games, but digital downloads are even more of a threat. Walmart's effects on GameStop could take more than a year to emerge, and much depends on its program and willingness to keep prices lower than GameStop's. This gamer will not purchase at Walmart and will continue to shop at GameStop because of its consistently good customer service. Gamers are quickly adopting downloading; eventually, hard copies will be phased out. Seventy percent of the games he purchases are downloads, and the remaining 30% are purchased mostly from GameStop. He owns a Wii, PS3 and Xbox and plans to purchase a PS4 later this year when specific games are released. He eventually will get the Xbox One but believes it is too complicated for most gamers. 3D virtual reality is an emerging trend.

Market Share

- "Walmart's used video game business could eventually cripple GameStop's dominance in this area because they are such a powerhouse."
- "I personally think it is stupid for Walmart to go that route. Streaming technology is being adopted so quickly that DVDs won't be around to too much longer. If they do it, it will be short-lived for Walmart."
- "GameStop probably realizes Walmart has a hard road ahead. Just look at CD and DVD section at Walmart: They used to be big sections. Now they have dwindled down to nothing and the same thing will happen to games."
- "It will take about a year for GameStop to notice any impact from Walmart starting to sell used games. Walmart needs time to establish it."
- "I would not buy used games from Walmart because I hardly shop there."
- "I have not heard anything about Walmart's used game prices or trade-in program. I have not heard gamer friends mention it either."

I personally think it is stupid for Walmart to go that route. Streaming technology is being adopted so quickly that DVDs won't be around to too much longer. If they do it, it will be short-lived for Walmart.

Gamer, Chicago

Pricing

- "With Walmart, you get the one-stop shopping experience but you don't always get the best price. That goes for video games too. GameStop usually has better prices."
- "If Walmart's goal is to stop GameStop, they will have to price themselves cheaper in order for it to work."

Advantages/Disadvantages

- "GameStop is pretty big. They have a ton of locations, so that is an advantage."
- "Another advantage they have over Walmart is their customer service. Walmart does not have knowledgeable staff."
- "I take their advice at GameStop. It is a video game store. Walmart isn't."

- “I would even go to Best Buy for games before Walmart. Walmart would be my last choice. I buy most often from GameStop.”

Downloadable Games

- “The last three or four games I purchased, I downloaded to my computer or directly to my console. I tend to go more toward console games.”
- “If I can download a game, I will download it. Of the games I purchase, 60% to 70% are downloads and 30% are discs. But if I have good Internet, I want to download it.”
- “I don’t have a new console yet, but the downloading feature is one of the biggest selling points for me. I travel for work for extended periods, and I like that I don’t have to carry a bunch of discs around.”
- “I don’t have a lot of friends that I share games with, so having the disc in my possession is not that important.”
- “Digital downloads are stored in the hard drive, and that is one of the problems. They are 500 gigabytes, and some of these guys eat that up in a heartbeat. [Console manufacturers] are replacing the hard drives with additional memory and using external hard drives.”

Next-Generation Consoles

- “People were especially upset with Xbox One because when you buy a game for that player, it is yours exclusively. I could not go to a friend’s and play that game. That is not cool.”
- “The transition to next-generation consoles will have an impact on the used game business; it probably already has. When people get more accustomed to it, like they are with downloading music, people won’t need hard copies of games anymore.”
- “I buy for my old consoles. I have Xbox 360, PlayStation 3 and a Wii. I have not bought any games specifically for PS4 or Xbox One.”
- “With the new console games, there have not been any that I specifically want. But, by the end of the year, there are three coming out that I want and then I plan to buy a new console. I am for sure getting the PS4 first, and I will probably eventually get the Xbox One too.”
- “If I was ... not traveling and could properly connect everything with the Xbox One, I would get that, but it is not practical for me now. Friends that have it don’t even use all its capabilities. ... The Xbox One is too complicated.”
- “I don’t know how much the new abilities attract gamers. For me, a console is to play video games on. I don’t need it to Facebook, and I think most gamers are that way.”
- “With my friends that have Xbox One, they really just play video games and occasionally watch something from Netflix.”
- “Next year the PS4 will be marked down. The Xbox One has already been marked down. And they also sold it with a free game worth \$60, which has not been done for years.”
- “Bundling games does create additional demand. Most games nowadays are bundled by their series.”

Trends

- “There have been a few articles about virtual reality stuff. 3D virtual reality is on the horizon.”
- “I have read [articles](#) about virtual reality in *Game Informer* by GameStop. It is one of the better gaming magazines out there. You get it as part of their yearly membership.”
- “PlayStation came out and said [the technology](#) is there but that there are problems with it. But you will see it in the next couple of years.”

I would even go to Best Buy for games before Walmart. Walmart would be my last choice. I buy most often from GameStop.

Gamer, Chicago

The transition to next-generation consoles will have an impact on the used game business; it probably already has. When people get more accustomed to it, like they are with downloading music, people won’t need hard copies of games anymore.

Gamer, Chicago

2. Teenage gamer, Missouri

Walmart’s success in buying and selling used games will come down to price. Still, GameStop will retain some advantage by having a bigger stock of new and used games.

Market Share

- “Walmart could take business from GameStop. If they give me more for my games, I will go sell them at Walmart. I think one factor is how close the Walmart is to a GameStop store. If it is close ... that could hurt GameStop.”

Pricing

- “Walmart’s games can be a little cheaper than GameStop’s.”
- “Hard to say how used game prices will compare since there are none yet at Walmart.”

Advantages/Disadvantages

- “GameStop has a lot more games and other game stuff than you see at Walmart. They get a lot of trade-ins and so would probably still beat Walmart for that. Walmart’s big advantage would be price.”

Downloadable Games

- N/A

Next-Generation Consoles

- “I hope to get a new console this month, the PlayStation 4. It’s more user-friendly than the Xbox One. I don’t know that I would download any games. I have friends with the new consoles, and I don’t know any that have downloaded games. You [could lose them](#) if the system crashes. With a physical game, you still have it.”
- “The new consoles will help the used game business. More people are getting the consoles, and more new games are coming out that they will want to play. A lot of people will turn those in for resale.”
- “When I get the new console, I plan to get two new games with it. I would probably buy 10 games in the first year.”
- “The new consoles don’t play old games, but at GameStop you can turn in your PlayStation 3 games and for \$20 get the PlayStation 4 version. It would be the same game, but it is still fun to play and on the new console there is a lot less lag and screen freeze-up and a higher definition on the screen.”
- “I have not seen any price cuts for the consoles and have not heard there will be any.”

Trends

- N/A

3. 38-year-old gamer, Georgia

In order for Walmart to compete with GameStop, it will need to offer special incentives and possibly a membership program similar to GameStop’s. Then it could take share from GameStop in four to six months. GameStop benefits from the expertise of its staff. About 25% of this source’s games are purchased online. He expects gaming to revert back to single-player games and away from social gaming.

Market Share

- “Walmart already is a one-stop shop for so many other products. It will depend on two factors: one, what will the trade-in value of a game be compared to GameStop? And two, assuming the purchase price is the same, will there be any kind of membership that reduces the price further, like GameStop has?”
- “I’d put it at around four to six months for all but the most loyal GameStop fans to jump ship.”

Pricing

- “[Prices from both companies] ought to be the same.”

Advantages/Disadvantages

- “At GameStop, you are essentially guaranteed to have an employee there who can answer questions about games and assist with recommendations. Walmart, of course, sells so many other things so you can buy your groceries and games in the same trip.”

Downloadable Games

- “I’m not increasing my downloading of games.”
- “Maybe 25%. It’s actually that high because one of my PS3 does not have a working Blu-ray drive.”
- “I doubt digital games will ever completely replace physical. Similar to digital books replacing paper books.”

Next-Generation Consoles

- “I have not bought a next-gen console yet because it is still on its first iteration. I believe that there are many gamers, like myself, who are holding off buying the new consoles until either a) the third iteration of that console or b) a game comes out that’s high on the want-to-play list that is not available on the previous generation.”

Increased abilities will be a big draw for hard-core gamers, more so as programmers learn to take advantage of all that the new consoles have to offer. The console companies are constantly trying to make their consoles’ features more appealing to the casual gamer as well.

Gamer, Georgia

- “I have not heard about markdowns on the consoles other than regular timing for such things, like when newer models of the same-generation console come out.”
- “Increased abilities will be a big draw for hard-core gamers, more so as programmers learn to take advantage of all that the new consoles have to offer. The console companies are constantly trying to make their consoles’ features more appealing to the casual gamer as well.”

Trends

- “The pendulum is about to swing back away from the online/co-op/social gaming trend and back toward single player experiences over the next five years. Or, the single player experience for most online games will have a huge revamp, making the social aspect almost optional.”

4. 39-year-old gamer, Florida

If Walmart offers a higher value for trade-ins, it could affect GameStop within three to six months. Walmart’s online sale prices for used games are better, but GameStop has a better reputation. This gamer downloads 25% of his games and expects that to increase. Movement toward mobile devices is capturing the gamer who may otherwise buy a console.

Market Share

- “It really depends on the value Walmart offers for the games. If it is more and word spreads, it could take some business from [GameStop]. If GameStop misses out on buying used games that people want, gamers will have to go elsewhere.”
- “It could affect GameStop in three to six months, only if Walmart gave more value for trade-ins.”

Pricing

- “I don’t know because I haven’t traded in games in a while, but Walmart’s website gives me the impression that they offer a better deal for the consumer.”
- “I would expect Walmart to give more value at first, then taper down to be about the same as GameStop.”

Advantages/Disadvantages

- “GameStop has the name recognition as the place to go for games and trade-ins. Walmart is ubiquitous.”

Downloadable Games

- “I download 25% of my games online at home.”
- “I am buying far less physical games now, and I expect that to only increase.”
- “Demand for digital will come when games are not available otherwise or if they offer more features, levels, etc.”
- “Hard-core gamers are the ones who will capitalize on the streaming first. It is very popular among my serious gamer friends. It is definitely not reaching a new audience yet. It seems like the direction games are moving.”
- “Downloads are stored on my hard drive.”

Next-Generation Consoles

- “I heard rumors of Xbox One being released without the Kinect for \$100 less. I may consider that for my kids.”
- “I don’t think bundling affects demand. Sometimes it can push me away from considering a console.”

Trends

- “Mobile gaming is capturing lots of gamers who might otherwise use consoles. I also think the release of smaller games in chapter-sized portions might take off.”

I download 25% of my games online at home. ... I am buying far less physical games now, and I expect that to only increase.

Gamer, Florida

5. 43-year-old gamer, Chicago

Walmart’s reentry into the used video game market could bring a temporary boost to its business but not enough to bite into GameStop’s dominant share and proven pricing strategy of buy low/sell higher. If Walmart only offers store credit, its program may never work as most people want cash for their games. This gamer consciously chose to purchase a PlayStation 3 over the newer PlayStation 4 because of cost, limited new and used games, and its incompatibility with the PS2 and PS3 systems. Game downloading is taking over. Fewer titles are available on disc, especially for next-generation

consoles. His own downloading has increased this year with the larger hard drive in his new PS3. He sells back his games to Best Buy or Target, rarely GameStop and likely never Walmart. He expects console webcams that follow movements to become a trend, and would never buy an [Xbox system because of its webcam](#).

Market Share

- “Walmart will not stop GameStop. They are too dominant. GameStops are everywhere, and that is where most gamers go.”
- “For Walmart, used game sales will be a quick peak in business. It is not something that will last as the whole segment is changing fast.”
- “With the new consoles out, that market could boom a bit, but it might be temporary. I don’t see Walmart hurting GameStop in any way.”
- “GameStop has a pricing system that has been working for them. They buy things incredibly cheap from the consumer and sell them at a healthy price. It is cheaper to go somewhere else.”
- “If Walmart were to affect GameStop’s sales, it would take a quarter. If it were to happen, it would be quick.”

Pricing

- “If the Walmart model is to give only store credit, then I don’t think that will work. People want the cash.”
- “If they are giving store credit, in theory, they will give you more credit than they would cash. That how GameStop does it.
- “But if it were dollar per dollar, I would imagine Walmart would give you more credit for your game than GameStop, especially with store credit.”
- “I would guess that Walmart offers better prices for used games than GameStop. They should if they want to be competitive.”
- “To sell back games, I would never go to Walmart and I rarely go to GameStop. Best Buy gives you a fair price, and so does Target.”

Advantages/Disadvantages

- N/A

Downloadable Games

- “Video games as we know them are coming to an end. The trend is downloading, and there is no stopping it.”
- “The shift to downloading started four years ago, but most people still went out and bought physical games. Both options were available, and that has changed. For some games for the PS4, they are only available as a download.”
- “I like that for the PS3, it is one or the other: hard copy or download. With the PS4, they are going to strictly downloads and I don’t like that. What if my console breaks? Then I won’t have the hard disc as a backup.”
- “I also have PlayStation Plus, so I get free monthly downloads. I pretty much download anything they have available.”
- “Digital downloads are stored on the hard drive. I have a hard drive, not a cloud. When I bought the new PS3, I bought the max storage available, which is 500 gigs.”
- “I have significantly increased my downloading since I got my PS3 because it has more memory than my PS2.”

Video games as we know them are coming to an end. The trend is downloading, and there is no stopping it.

Gamer, Chicago

Next-Generation Consoles

- “The effect of the next-generation consoles on the used game business is it is going to hurt it. There are fewer physical games available to buy. There is a lot more downloading now.”
- “I have not heard anything about a price markdown for the next-generation consoles.”
- “The new consoles draw in a new audience because they are obviously better machines, so the publishers can do [more fun] things with their games, which will lead to a better gaming experience. It is like getting a new computer; it is better and faster.”
- “In three years, when they have enough games, the console will probably be \$150 cheaper or half the price. I will probably get the PS4 then.”

Trends

- “Bundling games with the console does not create more demand, but it makes the purchaser happier. It is a good thing. It just makes it less painful to spend that much money; at least you have a game you can go home and play.”

6. 48-year-old gamer, Georgia

The source was unsure whether Walmart could take market share from GameStop, but said its success would depend on pricing for trade-ins and used game resale. GameStop specializes in games and consoles. He will purchase a next-generation console once the price fell, and he buys all his games through downloads. Still, he does not expect the next-gen consoles to hamper used game sales. The next big trend will be games that actually teach, such as learning how to play a guitar in Ubisoft Entertainment S.A.'s (EPA:UBI) [Rocksmith](#).

Market Share

- "It depends on how much they're willing to pay for used games over the long run. Kids want the most for their used games and usually to turn right around and buy the newer version of the same game."
- "It would make an immediate impact as most people take their games in to get money to buy more games. Let's say Walmart gave you more for a used game but GameStop offered slightly better price on the new game than Walmart. The question is would it be worth it to drive to GameStop to get that game for \$5 less."

Pricing

- "So far the prices at Walmart of games are about the same."
- "I expect Walmart's used games to cost about the same as GameStop."

Advantages/Disadvantages

- "Since GameStop is dedicated to gaming, the workers there really know their stuff. Much better customer service: that's where I think they'll have a definite advantage."

Downloadable Games

- "I am purchasing all the next-gen games and downloading them at home."
- "The digital downloads are stored in an internal drive, just like what's in a home PC."
- "As long as the Internet is going smooth, digital downloads are the way of the future. The physical game is just for convenience in most cases. Usually as soon as you install it, you are asked to get online for the newest software update so most games are outdated as soon as they hit the stores."

Next-Generation Consoles

- "I'm increasing downloading content because of the new consoles, but that only makes the gaming experience better because glitches getting smoothed out after initial release with the game updates. Also, these constant changes make it harder for people who hack/cheat."
- "I think I'm spending money on games at the same rate I have for the last few years. But I'm not getting any games for the old console."
- "The next-generation consoles are not having any effect on the used game business. In a way it hurts the resale of online games because you're given a serial number to use and that number is registered to you. If you sell the game, someone else can't use your registration. Depending on the game you can get an online Pass, and it varies around \$10 on top of what you paid for the game. Sometimes it's better just to get the game new."
- "I haven't heard of any markdowns on the next generation of consoles, but I will buy it when they are lower in price."
- "Every year there are new people and it seems like the same amount of people get tired of it and stop playing; that hasn't changed. But as far as the consoles go, you get more complex video and better Internet gaming overall. The games themselves haven't changed that much over the last few years."
- "Bundling with the new consoles just helps to sweeten the deal when they go to sell them."

Trends

- "Right now there seems to be the beginnings of consoles being an actual learning tool. For example with *Rocksmith*, unlike *Guitar Hero*, you actually plug in a real guitar, learn to read tablature and actually play a musical instrument. There are other applications that could emerge as consoles get better too."

7. Missouri gamer in his mid-20s

Greater knowledge of the condition and demand for certain used games will help GameStop retain customers who might otherwise go to Walmart. Customers may find that Walmart gives less money than GameStop for trade-ins.

Market Share

- “I don’t think Walmart getting into used games will cripple GameStop. Serious gamers will still go to stores that specialize in games.”
- “It will take time for people to know that Walmart is selling used games, so it’s hard to say when Walmart might have any impact. It will depend mostly on how much they pay for games and what price they charge for the used games.”

Pricing

- “The price of the games at Walmart and GameStop are the same for the newer games that most people want because of price restrictions by the producers. The older games might be cheaper at Walmart.”
- “I don’t think Walmart’s prices will necessarily be cheaper than GameStop. I am not sure Walmart will know how to price them in the first place.”

Advantages/Disadvantages

- “GameStop will still be the better place to sell and buy games. If you go in there with a game that is slightly scratched, for instance, the GameStop people will be able to tell if the game will still play OK and will give you a fair price. I don’t think the salespeople at Walmart will know that. They will see a scratched-up game and think it is worth nothing. Gamers will realize this and still sell more often at GameStop, and their stores will still offer more and better games than Walmart.”

Next-Generation Consoles

- “Hard-core gamers may like the new consoles for the download and storage features, but most people still buy the hard disc games.”
- “It would be nice to see the new consoles go on sale so I could afford to buy one, but I have not read where that may happen anytime soon.”
- “From what I gather in talking to friends who have the new consoles, about 80% of games being bought are still physical games. That’s about what I would expect if I bought new one.”
- “When I get a new console, I probably will only get one game with it because the console will cost so much. I will look for used games to save some money.”

Trends

- N/A

It will take time for people to know that Walmart is selling used games, so it’s hard to say when Walmart might have any impact. It will depend mostly on how much they pay for games and what price they charge for the used games.

Gamer, Missouri

8. 26-year-old gamer, Florida

Walmart’s game trade-in business will not significantly affect GameStop because the latter’s rewards and programs keep gamers coming back for more. Downloaded games are still second to physical games, which carry a resale value and sharing capabilities. A trend in game rentals could pick up steam and affect full-price physical game purchases.

Market Share

- “Nothing compares to GameStop. Walmart won’t be able to touch GameStop for a lot of reasons; the level of expertise of the staff, the selection of games and the rewards are all top-notch.”
- “It really seems out of place for Walmart to do this. I can see moms trading in old games their kids don’t play anymore for credit to buy other things. I doubt it will impact GameStop at all.”

Pricing

- “The trade-in value would have to be equal to GameStop offered value for it to work.”
- “I would expect the selling value to be the same as GameStop, maybe lower to help sell them.”

Advantages/Disadvantages

- “GameStop has huge advantages over Walmart in the used game arena. GameStop offers great incentives. Rewards points and programs keep me coming back. Also, the selection of games is much better at GameStop, and the knowledge of the staff is valuable and more reliable.”

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Gamer, Florida

Downloadable Games

- “I like to trade my games with family and friends. Also, the downloaded games have no resale value. I haven’t hopped on the downloading bandwagon for just those reasons.”
- “The download trend could impact the amount of used games available, and that could drive their prices up.”
- “Some of the downloaded games have features the physical games don’t. The disadvantages are still too many for me to get into downloading right now.”

Next-Generation Consoles

- “I always know what game I am going to buy next. Bundling games with the consoles could help drive sales if the right games are included.”

Trends

- “[Gamefly](#) is doing something like Netflix where you can rent a game for as long as you want. You don’t have to spend the full price to buy it, and you can still share it with friends. If more people do this, they might not buy the new game.”

9. Teenage gamer, California

Walmart will not take over GameStop, which already has the reputation for being the go-to source for gamers. This source often will go to Target for its lower prices on new titles, but still goes to GameStop for trade-ins. He has no plans to upgrade from his Xbox 360 and does not download games to this console, but does download to his PC from Steam. Consoles will not disappear as gamers enjoy the interactive component.

Market Share

- “Walmart can’t take GameStop over because GameStop is always is going to have more games and the opportunity to get new games with your trade-ins. GameStop is a central place to get games.”

Pricing

- “Sometimes I will buy new games at Target because they are cheaper. Walmart might be able to beat Target and GameStop on new games and possibly on used ones, if they ever sell used games in the stores.”

Advantages/Disadvantages

- “As far as having more games to choose from and getting the trade-in value, GameStop has more to offer.”

Downloadable Games

- “I don’t download to my Xbox 360, but I do download from Steam.com to my PC. I like the interaction with other players on the computer. The graphics aren’t as good as a digital download straight to a console, but for now it’s enough for me.”
- “I’m probably downloading and playing games via Steam about 50% of the time rather than playing on the Xbox because the online options allows me to interact more with other players and shows more details about updates and other things.”

Next-Generation Consoles

- “I don’t think I will ever stop trading in my games as long as I can. I always want to have games to play on the Xbox at home. I don’t play on my DS so much anymore.”
- “There aren’t that many new games out there right now for the [next-generation] consoles to make it worth spending a whole bunch of money. For now, I’m very happy downloading from Steam or buying new or used from Target and GameStop. I’ve never bought used games from GameStop’s website because you have to wait for them.”
- “Wii is not longer all that interesting. ... I think it’s more for little children and specific categories, like fitness. Serious gamers are into action and adventure games.”

Trends

- N/A

There aren’t that many new games out there right now for the [next-generation] consoles to make it worth spending a whole bunch of money. For now, I’m very happy downloading from Steam or buying new or used from Target and GameStop. I’ve never bought used games from GameStop’s website because you have to wait for them.

Gamer, California

Secondary Sources

These six secondary sources covered Walmart's entrance into the trade-in video market, GameStop expanding its trade-in business to other technology products, hardware sales rising but still facing pressure from the increase in mobile gaming, and GameStop's sale of downloadable content in its stores.

Trade-ins

The following two secondary sources centered on Walmart entering the game trade-in market and on GameStop's possible expansion of its trade-in business to include other tech products, such as wearable technology.

March 18 Walmart [news piece](#)

Walmart has entered into the trade-in game market and will launch the sales of refurbished games later this year.

- "Walmart is giving the more than 110 million gamers across the U.S. a new way to unlock value in their current purchases and save even more when it comes to one of the fastest-growing forms of entertainment."
- "Starting Wednesday, March 26, customers will be able to trade in their video games and apply the value immediately towards the purchase of anything sold at Walmart and Sam's Club, both in stores and online. The traded-in games will then be sent to be refurbished and made available for purchase in like-new condition at a great low price."
- "'Gaming continues to be an important business for us and we're actively taking aim at the \$2 billion pre-owned video game opportunity,' said Duncan Mac Naughton, chief merchandising and marketing officer for Walmart U.S. 'When we disrupt markets and compete, our customer wins. They'll save money on video games and have the flexibility to spend it however they want.'"
- "Available at more than 3,100 Walmart stores nationwide, the new trade-in service will accept thousands of games for popular consoles like the Sony PlayStation3 and Microsoft Xbox 360. Trade-in value will vary."
- "Later this year, Walmart customers will also be able to purchase pre-owned video games in stores and on Walmart.com. The video games will be labeled 'Certified Pre-Owned' which means the product is fully refurbished and in like-new condition."
- "Walmart's in-store video game trade-in program builds on its existing trade-in offerings. In-store, customers can trade in tablets and smartphones and apply the trade-in value towards the purchase of a new device. Online at www.walmart.com/gadgetstogiftcards, customers can receive credit for a larger range of products such as MP3 players, cameras and laptops, in addition to smartphones, tablets and video games."

April 24 Gamespot [article](#)

In addition to video game and nongaming device trade-ins, Gamestop wants to buy/sell/trade other technology products such as wearable technology.

- "Video game retailer GameStop sees 'significant opportunity' to apply its buy/sell/trade model to technology products like smartwatches music players, the company said this week during its annual investors conference."
- "'The value strategy goes well beyond just games. We see significant opportunity in emerging technology products as well,' GameStop EVP of strategic business Mike Hogan said."
- "A few of the examples Hogan showed were wearable technology like smartwatches and fitbands, as well as 'home tech' like a Beats Pill speaker system."
- "He said products like these represent a 'future opportunity' for buy/sell/trade and that GameStop is already testing some of these products in its refurbishment center."
- "GameStop already accepts trade-ins for a variety of non-gaming devices, including tablets, laptops, and smartphones. It's unclear when GameStop will begin accepting trade-ins for new technology products like the ones Hogan mentioned or what their value will be."

Hardware

These three secondary sources discussed gaming hardware sales growing 78% year to year, PS4 sales topping Xbox One, all consoles facing greater pressure from mobile gaming, Wii U offering a new bundle to increase sales, and the Xbox One being the first console offered in China after a hardware ban in 2000.

April 17 [USA Today article](#)

Gaming hardware sales are up 78% year to year. PS4 has topped 7 million, and Xbox One, 5 million.

- “The company’s PlayStation 4 video game console outsold Microsoft’s Xbox One, despite the latter device hosting last month’s best-selling game *Titanfall*, according to data from NPD Group. It’s the third straight month PS4 topped Xbox One in U.S. sales.”
- “Earlier this week, Sony announced global sales of the PS4 topped 7 million.”
- “Meanwhile, Microsoft confirmed more than 5 million video game consoles were shipped to retailers.”
- ““The new generation is off to a strong start, with global Xbox One sales outpacing Xbox 360 by more than 60 percent at the same point in time, a true testament to your love of console gaming,” says Xbox marketing chief Yusuf Mehdi in a statement.”
- “Both devices helped push overall video game hardware sales up 78% compared to last year. Overall, retail video game sales were up 3%, topping \$1 billion.”
- ““PS4 and Xbox One continue to see success with cumulative sales of the two consoles through the first five months currently totaling more than double that of their predecessors, the PS3 and Xbox 360,” says NPD Group analyst Liam Callahan.”

May 1 [Latin Post article](#)

All consoles face greater pressure from the mobile gaming space. To counteract this, Wii U, whose sales lacked the explosive adoption of the PS4 and Xbox One, will launch a *Mario Kart 8* bundle on May 30 to entice consumers.

- “When the Nintendo Wii U dropped, there was incredible hype. The touchscreen controller was quite frankly revolutionary and the fact that you could use it to play your favorite games without needing the TV turned on was, and is, still stunning to me. But like many other world citizens and would-be gamers I passed on the system. The simple fact is that sales forecasts have had to be slashed and [there] is blood in Nintendo’s proverbial water.”
- “For what it is worth, Nintendo is soon planning to release a bundle consisting of the gaming platform along with two games and an extra controller. This will be out on May 30, according to engadget.”
- ““During the year-end shopping season, we weren’t able to lift sales momentum for the Wii U,” said Nintendo President Satoru Iwata according to NST.com.”
- ““The decrease in game software sales is having the biggest impact’ on profit, he went on to say.”
- “But it’s not just Nintendo’s problem to worry about. While game and system sales for next-generation consoles Xbox One and PS4 are lightyears ahead of the underpowered Wii U they still have to fend off fierce competition from the mobile space.”
- ““Yamauchi was one to always say, ‘Nintendo is a company for entertainment, and it shouldn’t be for anything else,’ and he didn’t necessarily think that entertainment equals video games,’ Iwata remarked to Diamond.jp, IGN reported. ‘I’ve been wondering how to express Yamauchi’s feelings, and I’ve been thinking about it nonstop, even during the New Year’s holiday break.’”

April 30 [entry from The New York Times Bits Blog](#)

After a ban on console hardware in China, Xbox One will have a September launch in the country.

- “Microsoft says its latest game console, Xbox One, will go on sale in China in September, after a long ban on such products in the country.”
- “The move was widely expected. Early this year, the Chinese government released a set of rules defining how foreign game companies would be allowed to enter the Chinese market with their products.”
- “Last year, after China had indicated its intention to relax restrictions on console sales, Microsoft set up a joint venture with BesTV New Media, a Chinese Internet TV company.”
- ““Launching Xbox One in China is a significant milestone for us and for the industry,’ Yusuf Mehdi, a Microsoft corporate vice president, said in a statement. ‘And it’s a step forward in our vision to deliver the best games and entertainment experiences to more fans around the world.’”
- “The Chinese government banned console sales in 2000 to resist what government officials perceived to be the negative influences of video games. In theory, China is a huge potential market for Microsoft and other console makers.”
- “It is unclear how successful the companies will be there. Despite the console ban, game playing on devices including personal computers and mobile phones has become deeply entrenched in China, and players may not see a compelling reason to change their habits. Additionally, consoles have been sold illegally in the country for years, and piracy rates on games are high.”

Digital Downloads

This article highlighted GameStop's forecast of its downloadable content growing 12% to 15% this year and the company's reports of 95% of its downloadable content being sold in its stores.

April 28 Star-Telegram [article](#)

GameStop sells 95% of its digital downloads through its retail locations thanks to its highly trained workers and the stores' allure among young gamers. The company expects downloadable content to grow 12% to 15% this year.

- "We learned a surprising fact about GameStop Corp. last week. The video game chain sells most of its digital content—video games or add-ons that can be downloaded online—not through its website, but inside thousands of stores."
- "That runs counter to the digital revolution that's reshaping the retail scene, where shoppers are 'showrooming' brick-and-mortar stores and then buying at home online where they can save a few bucks. But it says a lot about how the Grapevine-based retail powerhouse hopes to survive in an age when the shift to digital media has wiped out other retailers such as Blockbuster Video and Tower Records."
- "During an investor presentation last week, GameStop said it generated \$724 million in digital receipts in 2013, reflecting downloadable content, and expects that to grow by 12 to 15 percent this year."
- "The really amazing part, said Rob Lloyd, GameStop's chief financial officer, is that 95 percent of those sales occurred inside the company's 6,400-plus stores. In many cases, he said, customers can't find digital add-ons for games online or can't figure out how to buy them, he said. So they come to the stores for help."
- "The trend highlights the continuing strength of GameStop's brick-and-mortar stores, which are a neighborhood hangout for young gamers. The company spends heavily on training each year for its in-store 'game advisers' so they can explain to customers what's available. And the company's highly profitable system of buying and selling used games, devices and equipment gives it an advantage on competitors."
- "While GameStop plans to trim its video game store base by 2-3 percent each year, it plans rapid expansion for two small electronics chains it acquired last year—Simply Mac, which sells Apple products, and AT&T-branded Spring Mobile stores."

Additional research by Matt Miller, Diana Hembree, Tina Strasser, Jacqueline Fox, Cindy Elsberry, Erica Franklin and Kevin Murphy

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