**GAMESTOP: THE EXPERT EXPERIENCE**

GameStop is a leader in the retail video game industry; however, the company needs to make strategic decisions regarding store expansion, the rise of digital downloading, and the used game market. This report suggests that GameStop should introduce a revolutionized online platform and rebrand its in-store customer service as The Expert Experience. This report is divided into three sections: (1) the retail video game industry background, (2) a two-pronged recommended strategy, and (3) a new action plan.

**RETAIL VIDEO GAME INDUSTRY BACKGROUND**

**Substitutes Threaten the Video Game Retailing Industry**

GameStop operates in the international video game retailing industry. Companies in this industry exclusively sell video game-related merchandise in stores. See **Exhibit 1** for an industry analysis.

The current state of the industry is moderately attractive; however, the threat of substitutes, such as online retailers and digital downloading, will make it more competitive in the future.

**Physical Retailing Business Model**

GameStop sells video-game related merchandise to a broad range of customers through its retail locations and online platform. Knowledgeable employees provide basic in-store services. **Exhibit 2** analyzes GameStop’s business model.

Most of GameStop’s profits are from selling used games and consoles at high margins. A majority of the company’s revenue comes from seasonal shoppers.

**Store-Centered Used Product Value Chains Bolster New Product Distribution**

Suppliers deliver merchandise to GameStop-operated and third party distribution centers. The merchandise is then delivered to individual GameStop stores and online end-users. GameStop also leverages a trade-in process where it buys used merchandise from customers and resells it in its stores.

**Current Strategy**

**Exhibit 3** analyzes GameStop’s current strategy. The Company targets a broad market segment, differentiates on store design that compares new merchandise with its used products, and cuts costs through store location and minimal employee benefits. GameStop’s current strategy will be challenged by the rise of digital downloading and online retailing.

**TWO-PRONGED STRATEGY**

**Revolutionize the Gamer Shopping Experience**

The popularity of e-commerce and downloadable content threatens GameStop. To address consumers’ changing preferences and the rise of online substitutes, GameStop should implement an integrated two-pronged strategy:

* First, GameStop should transform its online experience by encouraging gamers to create a GameStop Access Profile on the website. This virtual profile offers a rewards program and provides access to various online services that create a fuller end-to-end experience.
* Secondly, GameStop should rebrand itself as a gaming community supplemented by a team of expert employees. GameStop’s incomparable in-store experience would provide a competitive advantage over online retailers.

The two prongs are complements. The online profile will offer economic and social incentives for customers to seek out the in-store experience. GameStop can then capitalize on the value of interpersonal interaction while simultaneously bolstering a connected online service.

**Aggressively Targeting the Market Segments**

GameStop should focus on devoted and value-oriented casual gamers. The suggested strategy targets these segments with online gamer profiles, expert service, and a loyalty rewards program called GameStop Access. Devoted gamers comprise a large portion of the market, are price insensitive, and will drive GameStop’s new product sales. Casual gamers value promotions and drive GameStop’s high-margin trade-in service. Seasonal shoppers, while less likely to participate in the GameStop Access program, will be attracted to the enhanced in-store experience and promotions. **Exhibit 4** elaborates on the proposed competitive strategy.

**Differentiate on Design and Service**

**Designing the Gamer Experience both Online and in Stores**

GameStop should redesign their website and physical store locations to enhance customers’ interactive experience. The website will immediately prompt customers to create a GameStop Access Profile **(Exhibit 5)**.

Store layout will complement the loyalty program. Computer kiosks placed at the store’s center will allow new customers to create profiles and GameStop Access members to redeem their points. In addition, customers may compare prices and locate inventory on the computers. Lastly, stores will have an Expert Center where customers can consult experienced employees.

**Beginning-to-end quality control**

GameStop should continue quality control through their supplier relationships and trade-in inspections. The Experts can ensure beginning-to-end quality with in-store repair services.

**GameStop is the Expert**

GameStop should rebrand its customer service as the “Expert Experience”. The employees will be referred to as Experts and offer customers reliable advice. They will undergo thorough training and be constantly updated on inventory and gaming trends. Customers entering GameStop should feel like they are entering a live gaming forum.

GameStop Access members can also make complimentary appointments with the Experts and track their points by visiting their profiles online or on the GameStop mobile application. They will receive personalized rewards when they redeem points. These extended customer services will meet GameStop Access members’ personal needs.

**Retain strong margins**

GameStop will continue standard retail pricing on new inventory. Used products are priced $5- $10 lower to retain high margins.

**Invest in People and IT**

Major changes to GameStop’s cost structure focus on store expansion and employee investments. GameStop should limit costly domestic store expansion. GameStop can leverage a strong e-commerce platform to attain a high sales volume and attract customers to existing stores with its point redemption process. GameStop can experiment with pinpointed store expansion abroad, using its e-commerce platform to reach unsaturated markets.

GameStop should invest heavily in HR. GameStop should hire gaming experts and expand their knowledge throughout employment. Increased salaries will give employees an incentive to deliver strong customer service. Additionally, the new strategy will require investment in stronger IT systems.

**NEW ACTION PLAN**

A revamped organizational architecture will effectively execute GameStop’s new two-pronged strategy.

**Human Resources and IT are Critical Tasks for GameStop**

Human resource development ensures employee expertise, and end-to-end IT synthesis undergirds the Access profile. Formal organization, people, and culture must align with these critical tasks to execute the recommended strategy.

**Experts in Every Store**

Constant interaction between employees and customers makes it vital for all employees to be specialists in the gaming industry. Experts could answer questions on the current state of the gaming industry, repair consoles, and provide helpful tips and strategies to customers. GameStop can attract knowledgeable employees with a slight increase in their associate salaries.

Communication between upper and lower management will be crucial to ensuring that employees are in line with GameStop’s future strategy. Experts can create their own Access Profiles where internal information will update them on merchandise and trends in the gaming industry. The combination of these suggestions will keep people happy and helpful.

**Create Formal Organizational Architecture that Fits**

**New Features Structure for Transformation**

Corporate leadership should swiftly implement store-level and changes to HR and IT. In addition receiving updates via their Access Profiles, employees may attend regional meetings at the end of each quarter where corporate managers can further inform them about new technologies and trends in the gaming community.

GameStop branches should host monthly gaming forums where customers will be able to provide employees with service feedback and express their game and console preferences. Managers can communicate this frontline information to corporate executives who can align customer preferences with strategy.

**Boost Human Resources and Create the GameStop Access Point Process**

Intensive hiring and training will help employees become GameStop Experts. Experts will specialize in premier gaming advice, in-store repairs, and Access profile kiosk aid. Internal employee Access profiles would incentivize employees to provide premier service and bring Experts into the Access community.

Effective point accumulation and redemption processes are central to the GameStop Access Profiles. Customers accumulate Access Points through online orders, in-store purchases, and trade-in transactions. Customers may access these profiles online or through the GameStop App and must come to the stores to redeem points and receive rewards.

**Strengthen IT Systems**

IT systems would unify the Access experience across kiosk, computer, and mobile platforms. Installed touch-screen kiosks at stores provide a link between the physical store and the Access Profile community. The system can provide an inventory locator, price comparison, and trade-in valuation platform for customers at the stores.

**Personalize Rewards through Data Analytics**

Data analytics will create the end-to-end experience for GameStop Access members. Analytics will track members’ purchase history, website searches, and GameStop article interests. The system can make suggestions on the Access Profile and provide personalized rewards.

**Welcome to the GameStop Community**

GameStop should develop a welcoming culture at every branch. Employees should look to develop relationships that remind customers that GameStop is a community.

Customers can reach this community online and in stores. At the gaming forums, customers can interact and participate in gaming tournaments. In addition, GameStop Access members can connect online and compete based on their GameStop Access Points. This online community will incentivize customers to increase their status through purchases.

**THE EXPERT EXPERIENCE**

The rise of substitutes, especially digital downloading, are disrupting the retail gaming industry. To combat competition, GameStop can differentiate itself through a two-pronged strategy: (1) revolutionize the online experience and (2) create value through expert service. The GameStop Access Profiles offer incentives for customers to visit GameStop stores, where they will receive top-of-the-line service from the GameStop Experts. This strategy will brand GameStop as *the* Expert in gaming. Amazon, GameFly, and Wal-Mart may offer convenience, but only GameStop can offer “The Expert Experience.”









