

Twitter Thread by Patrick OShaughnessy



Patrick OShaughnessy

[@patrick_oshag](#)



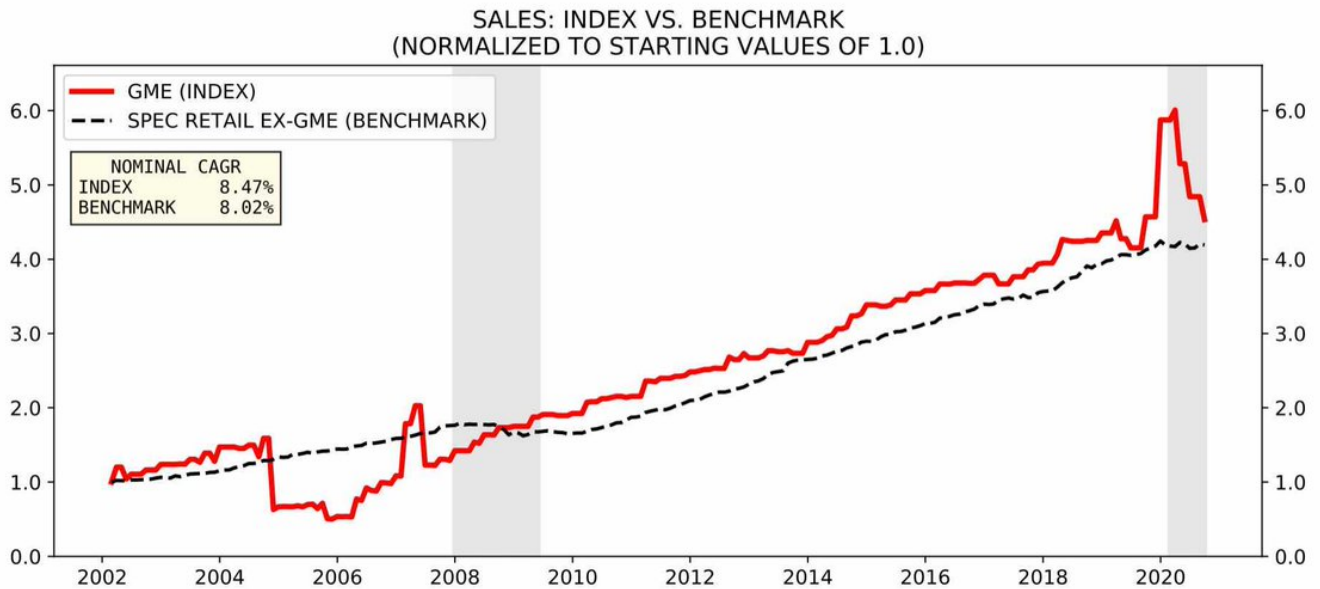
1/ GameStop is one of the most fun businesses to study for both its success and failure.

Relative to other specialty retailers, it dominated up until the financial crisis, but has since done very poorly.

But unlike Tower Records or Blockbuster, it is still in business



2/ Thanks to the tailwind gaming has provided, its revenues have grown long-term but EBITDA and margins have been terrible as the gaming world has digitized over the past 5 years.



3/ As I learned in [@joosterizer](#) book One Up, their early physical retail edge rested on counterpositioning: doing things Walmart and others couldn't:

1. Accessibility
2. Deeply trained expert staff
3. Tailored loyalty program
4. Custom inventory management for used game sales

[@joosterizer](#) 4/ Accessibility

There are 5,500 GameStop stores, often more than one in the same mall (mostly because of EB acquisition). Can always find one.

They install ramps--not for wheelchairs, but for strollers because parents are the real buyer

[@joosterizer](#) 5/ Trained Staff

As [@joosterizer](#) told me recently, try to go into a GameStop and stump a staff member. They can help you navigate much better than a generic retail employee. Creates loyalty and trust that wouldn't be possible if they didn't just focus so specifically on games.

[@joosterizer](#) 6/ Loyalty Program

Standard reasons for a loyalty program, but it helped them manage inventory with pre-sales and reserves, and they used Game Informer (only remaining gaming magazine really) to keep people interested.

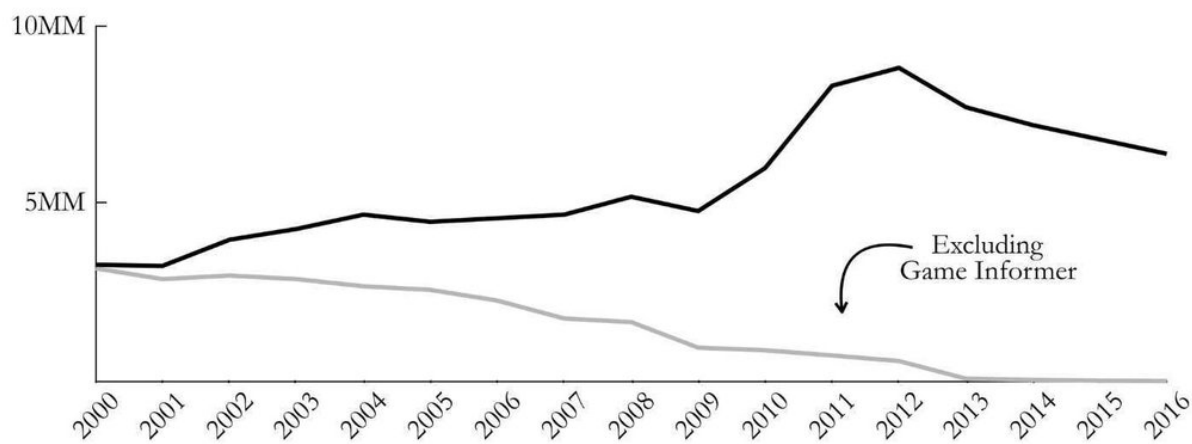


Figure 3.2
Gaming magazines, annual circulation (millions), United States and United Kingdom, 2000–2016. *Source:* Data from Alliance for Audited Media, RetroMags. *Note:* Total circulation both with and excluding GameStop’s *Game Informer* magazine.

@joosterizer 7/ Used game sales

This is the most interesting. Blockbuster games would be resold 6x, and GameStop made all the money on resales.

Required complicated accounting and inventory systems to manage re-sales. Others couldn't compete.

Used game sales revenue for a \$60 title

Sale/Trade-In	GameStop	Publisher	Consumer
New sale	+12	+24	–60
First trade-in	–25	+0	+25
First re-sale	+55	+0	–55
Second	–20	+0	+20
	+50	+0	–50
Third	–15	+0	+15
	+45	+0	–45
Fourth	–10	+0	+10
	+40	+0	–40
Fifth	–5	+0	+5
	+35	+0	–35
Net	162	+24	–210

Source: Author’s compilation.

Note: This model assumes that an average blockbuster title starts at \$60 and is sold and re-sold up to five times. Every time GameStop sells a title again to a different consumer, it optimizes between offering the lowest possible value for the seller and highest possible price for the next buyer.

@joosterizer 8/ I think all of these areas of edge could be studied and applied to other retailers, yet GameStop's survival is in deep question because they missed the move to digital.

So interesting to me that edge can be developed and then so quickly eroded.

Its always Day One

For those asking, check out Chapter 3 of @joosterizer book One Up for more.

Charts were made via an internal tool @OSAMResearch developed by @Jesse_Livermore