GameStop Case Study

1. Giving people a reason to come back

GameStop used to have a clear reason for people to walk through the door: they wanted a game. Now they can download it without leaving home, so the company needs to give them another reason to make the trip. Trading cards and collectibles could be part of that, especially when people want to see an item in person, ask questions, or submit a valuable card for grading. But changing what is on the shelves only gets GameStop so far. The real question is whether the experience gives customers a reason to come back.

I see this as business model innovation because GameStop is changing how it creates value for customers and turns that value into revenue and profit. Someone might come in to submit a card, buy supplies to protect it, and return to pick it up. One item creates several opportunities to build a customer relationship. GameStop manages that relationship, while PSA handles authentication and grading. Those roles need to be clear. Employees can help customers understand the process, but they should not promise a particular grade or suggest that grading a card guarantees a financial return (GameStop, n.d.)

Why smaller sales can produce more profit

GameStop's results show a more complicated picture. For the quarter ended August 1, 2026, sales fell 18.7%, but operating income increased from $66.4 million to $160.2 million. The company generated more gross profit and reduced selling, general and administrative expenses. The sales decline also needs context: GameStop closed stores, sold its French business, and was being compared with a quarter that included the Nintendo Switch 2 launch the year before (GameStop, 2026).

Measure in millions	Q2 2025	Q2 2026
Net sales	$972.2	$790.2
Gross profit	$283.1	$345.0
SG&A expenses	$218.8	$187.1
Operating income	$66.4	$160.2
Operating margin calculated	6.8%	20.3%

Source: GameStop (2026). Margins calculated as operating income divided by net sales. The $93.8 million operating improvement equals $61.9 million more gross profit, $31.7 million less SG&A, and a $0.2 million change in the impairment line. Collectibles reached 45.1% of sales, but category-level profit is not disclosed in this release. The figures support a stronger overall mix; they do not establish that cards alone caused the improvement.

My concern is that GameStop could trade one dependency for another. Collectibles can give people a reason to return, but demand depends on what fans want, what they can afford, what is available, and what they think someone else will pay. A card can lose its appeal before it even leaves the shelf. I would keep gaming and

retro services that customers find useful alongside collectibles and limit inventory purchases so the business does not rely too heavily on one franchise or release.

2. Making the store earn its space

Selling a product and taking responsibility for something a customer owns require different things from a store. Employees need time to identify cards, explain the terms, document their condition, keep submissions secure, and handle problems. Cutting staffing while adding those responsibilities could make the model look efficient on paper, but a missing card or a long line would quickly expose the gaps.

My proposal is GameStop Exchange, a pilot that brings together grading intake, a curated product selection, and a small space for play. This is my proposed concept, not an announced GameStop program. I would start with six existing stores with suitable leases, enough room for people to move comfortably and accessibly, and clear signs of local demand. Before changing the layout, the team would confirm permitted uses, occupancy limits, clear exits, restroom access, insurance coverage, security, and requirements for buying secondhand goods. Stores that cannot safely host gatherings would serve as service locations.

Creating a trustworthy process

GameStop already offers in-store submissions, account tracking, and pickup or eligible trade-in after PSA grading (GameStop, n.d.). I would build on that process by photographing the front and back of each card, having the customer confirm the item record, and using a unique barcode and tamper-evident packaging. Every handoff would require a scan recording the item, employee, time, and destination. A second employee would check outgoing batches and returned cards against the records. These are controls I am proposing, not claims about GameStop's current procedures.

For graded trade-ins, employees would check the certification number in PSA's database, compare the card and its holder with available records, and flag anything inconsistent for a trained specialist. PSA warns that counterfeit inserts can carry genuine certification numbers, so finding a number in the database does not establish that the card and holder are authentic (PSA, n.d.). Access to customer photographs and account information would be limited, with a clear policy for how long those records are kept.

The store manager would be responsible for custody checks and unresolved cases, with a district specialist handling exceptions. Before submitting a card, customers would see the fees, potential additional charges, estimated timing, and terms covering loss or damage. Tracking should make it clear whether a card is waiting to ship or waiting for PSA. When there is a delay, the update should explain what happens next and who is responsible for moving it forward.

Evaluating the economics

I would judge each store by what it earns after accounting for product costs, outside grading and shipping, payment fees, labor, occupancy, shrinkage, and claims. A high number of submissions can make a service look successful while hiding how much it costs to run. For example, a submission that retains $12 before store labor would have only $6 left after 15 minutes of handling at a loaded labor cost of $24 an hour. Other store costs would still need to come out of that $6. These are assumptions for testing the model, not GameStop's reported economics.

Physical stores could make submitting cards easier by handling shipping and giving customers someone to turn to for help. I see that as an omnichannel advantage because it connects digital tracking and information with service in person. But it only becomes a lasting advantage when customers can count on the same quality across locations. Online marketplaces offer selection and price information, and independent card shops may already have stronger customer relationships. A nearby counter makes GameStop convenient. Reliable handling and employees who know what they are doing would give people a reason to choose it.

3. Valuing the business and choosing what comes next

Moving from a meme-stock story to a stronger operating business takes more than a good quarter. I would want to see evidence across several quarters. Investor attention can help GameStop raise capital, but it does not tell us what the stores are worth. I would look at whether customers return, whether services generate cash after costs, and whether the business stays profitable when demand for collectibles slows.

I would use a sum-of-the-parts valuation to assess the operating business separately from its investment assets. That means estimating the present value of cash flows the business can reasonably sustain, adding cash and investments at appropriate values, and subtracting debt and other claims consistently. Investment income should not be included in operating earnings while the assets generating it are also added separately. The calculation also needs to account for potential dilution from shares and convertible securities. A higher earnings multiple needs to be supported by lasting performance.

I would test downside, base, and upside scenarios for same-store demand, gross margin, inventory markdowns, and labor costs. Closing stores that lose money can improve results, but GameStop can only take that approach so far. I would be more convinced by a smaller store network that consistently generates cash after the investment needed to maintain it. A good quarter is encouraging, but it does not tell us what the business can sustain or what it is worth.

Three priorities over the next 24 to 36 months

Priority	First move	Evidence before expansion
Prove the service model **Months 0 to 12**	Train staff and test Exchange at six stores, with six comparable stores tracking normal operations.	Positive incremental contribution after added costs; manageable waits; no unresolved custody discrepancies.
Build repeat participation **Months 6 to 24**	Pay local hosts for beginner sessions, trade nights, and retro demonstrations.	Repeat attendance and visits improve against the baseline and comparison stores without weakening service.
Allocate capital carefully **Months 12 to 36**	Expand successful formats in stages and require explicit returns and risk limits for investments.	Store investment clears a preapproved return hurdle under a downside scenario; cash commitments remain affordable.

These periods overlap because GameStop can learn about service and community at the same time. I would start with an eight-week baseline, followed by a six-month store pilot. Finance would review contribution each month, while operations would check wait times and custody issues weekly. Before expanding, I would want

three consecutive months of positive incremental contribution and a clear explanation of how seasonality and local differences affected the results. These are decision rules I am proposing, not GameStop's targets.

I would also use secondary-market activity to guide purchasing, looking at completed sales, transaction volume, inventory age, and sell-through for comparable cards and grades. Four weeks of falling prices and lower volume, alongside aging stock, would be a reason to cut back on replenishment and review trade-in offers. Rising prices with few transactions would need a closer look before buying more. GameStop cannot control how many cards publishers print, but it can control how much inventory it takes on. A quoted price means little without buyers willing to pay it.

4. Making the pilot inclusive

Someone buying a game to play tonight may want something very different from someone searching for an original cartridge or protecting a graded card. They might love the same character, but that does not mean they need the same store experience. I would use the following as starting points to test through interviews and observation, rather than assume they describe everyone in each group.

Community	What may matter	How the store could respond
Console and PC gamers	Performance, platform compatibility, multiplayer groups; terms such as FPS, cross-play, and builds.	Useful compatibility advice, demonstrations, and launch gatherings without pushing unrelated collectibles.
Retro collectors	Originality, condition, region, working hardware; terms such as CIB, cartridge, and reproduction.	Clear condition notes, testing demonstrations, and honest distinctions between original and replacement parts.
TCG players and collectors	Players may discuss deck lists and the meta; collectors may focus on sets, grades, and provenance.	Separate learn-to-play sessions from collecting and grading appointments; explain terms without making beginners feel behind.

Subcultural capital is the knowledge and recognition that give someone credibility within a group (Thornton, 1995). An employee who understands why a particular edition matters can build trust, but that expertise can also make people feel excluded. I would reward employees for helping customers make informed choices, including explaining when grading or buying an item may not be right for them. People should be able to ask a basic question without feeling like they have to prove they belong.

A third place has to welcome people

A third place is somewhere outside home and work where people can gather regularly (Oldenburg, 1999). For GameStop, that means giving people a reason to spend time in the store without expecting them to buy something every visit. Discord, Reddit, Twitch, and YouTube can help people find events and stay connected afterward. The store can give them a table to share, someone willing to explain a game, and a chance to meet people nearby. The value of that space depends on who feels welcome enough to stay.

I would test two flexible tables with room for up to 16 participants where the layout allows, along with readable signs, step-free routes, and quieter sessions. A trained host would run play while another employee handles service. Each store would post conduct rules, age guidance, expectations for trading, and a clear

process for reporting harassment. Staff would be expected to step in when someone pressures another person to buy or treats them unfairly. Building a community takes active responsibility from the people running the space.

I would choose local hosts based on their knowledge, ability to teach, references, and record of making people feel included. Hosts would receive a fixed session fee, and GameStop would provide the space and basic materials. Paid tournaments would have a written budget covering host pay, prizes, and cancellation terms. Host compensation would not depend on participants buying products. Official events would also need publisher approval and any required organizer qualifications. Pokémon's program, for example, includes certification and an organizer exam for certain event types (Play! Pokémon, 2026).

I would track repeat attendance, whether beginners come back, complaints, staff workload, and store contribution. Short, voluntary feedback would ask whether people felt welcome and could get help. A full event that leaves customers waiting for service would be a reason to adjust the schedule or add staff. I see GameStop's opportunity in bringing useful services together with a place people enjoy returning to. The name may get someone through the door, but the experience has to earn the next visit.

5. Visual Enhancements **(created using ChatGPT Sol 6.1)**

Storefront/Store Designs



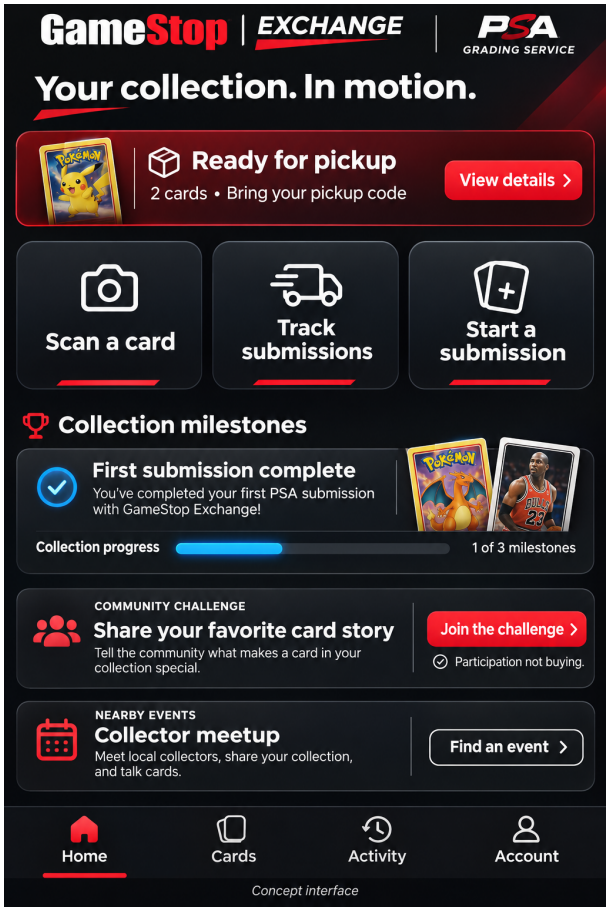


Marketing Campaign

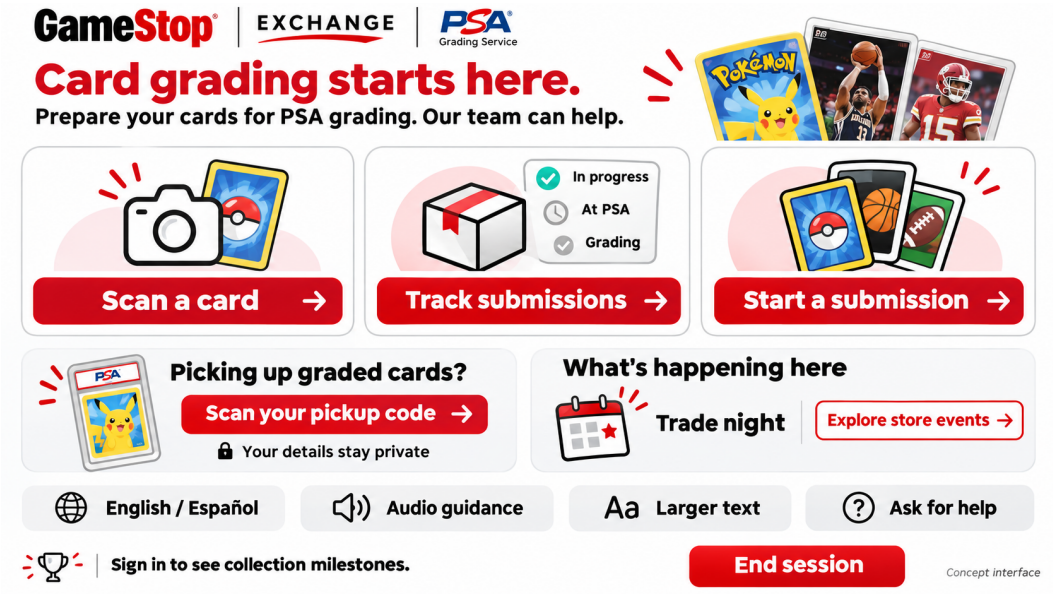




UI/UX Design



Mobile Interface



Kiosk Interface

References

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GameStop. (n.d.). Official PSA card grading service and submissions. Retrieved November 5, 2026. https://www.gamestop.com/card-grading-service

Professional Sports Authenticator [PSA]. (n.d.). Cert verification. Retrieved November 5, 2026. https://www.psacard.com/cert

Play! Pokémon. (2026). Welcome to the Play! Pokémon program. https://support.play.pokemon.com/hc/en-us/articles/40438099081492-Welcome-to-the-Play-Pok%C3%A9mon-Program

Oldenburg, R. (1999). The great good place. Marlowe & Company. Conceptual reference for third places.

Thornton, S. (1995). Club cultures: Music, media and subcultural capital. Polity Press. Conceptual reference for subcultural capital.

AI Use

ChatGPT Sol 6.1 assisted with formatting the written work and developing images. The following prompts were used :

Image Production

1. Store Concept

[Create a detailed and realistic visual store mockup. Give me 4 images to show distinct parts of the store that represents the following idea: GameStop Exchange: a place where people can get cards graded, shop for games and collectibles, and come together to play. Ask any clarifying questions.]

[> How much should the design change from a typical GameStop? More polished redesign with familiar GameStop branding > How should people appear in the images? Busy with shopping and community play]

2. Marketing Campaign

[Using the same idea: Design a promotional poster or digital marketing banner targeted at high-end trading card collectors, highlighting the official PSA card grading partnership. Provide 4 different options. Ask any clarifying questions.]

[> What format should the four options use? 2 posters and 2 banners > What should the promotion ask collectors to do? learn and visit > Which cards should appear? A mix of Pokémon and sports cards]

3. UI/UX Concept

[Design a mobile app screen or kiosk interface mockup for GameStop customers looking to scan, track, and submit trading cards for PSA grading. Provide 4 design options that are differentiated. The design should be fun, encourage revisiting use, and be accessible. Ask any clarifying questions]

[> Which formats should the four options use? Two mobile designs and two kiosks > How should the four options show the experience? Four different home screens with scan, track, and submit > What would make collectors want to return? Community events and collecting challenges, Grading updates and clear next steps, Collection milestones and achievements.]

Paper Formatting

[Format the following document for my LEAD 725 Class at SCAD. This is a case study so formatting should be clean, executive, easy to read, and well spaced. Do not change any of the language.]