Business Plan: Video Game Rental Store

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Thesis

DP in International Business
THE7L1007-9
2013
The purpose of this report is to create a business plan for a video game rental store. It includes research on similar companies in other countries, and it determines if the concept would work in Finland. In addition to this, the report also includes research on what steps need to be taken in order to start and run a video game rental business in Finland.

The report also goes over the current trends in the video game industry, and takes a look at where the industry is heading. Based on these findings, the report determines what kind of threats the potential changes in the video game industry would have on the video game rental business in the near future.

Finally, the report uses the marketing mix to look at the marketing possibilities for a video game rental store in Finland. The marketing part also includes a section for the target customers, in order to find the most effective marketing mix. Based on these findings, the report goes over what marketing options would be most suitable for a video game rental store in Finland.

The report primarily relies on secondary information available on the video game industry and its customers. When possible, information on the Finnish video game industry is used, but also information on the U.S. and global video game industry is relied upon, as these factors also influence the Finnish video game retail market.

The theory part of this report mainly relies on Thomas Zimmerer’s and Norman Scarborough’s knowledge on how to run a small business, through the book Essentials of Entrepreneurship and Small Business Management. Additionally, Philip Kotler’s and Kevin Keller’s marketing knowledge in their book Marketing Management is also used. The theoretical framework of the report consists of the marketing mix, business plan framework, differential competitor advantage analysis, and the five forces matrix.

**Keywords**
- Video game rental, business plan, video game retail industry.
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1 Introduction

1.1 Research methods and purpose of the report

The purpose of this report is to answer the research problem of how to create a successful business plan for a video game rental store. The report goes over what steps need to be taken in order to create a successful business plan and what these steps will involve for a video game rental store.

![Research process diagram]

Figure 1. Research process

Figure 1, shown above, demonstrates the research process and research methods used in this thesis. As a part of the business plan, the report will include the analysis of the different marketing options that a video game rental store has in Finland, the current trends in the video game retail industry and how these could affect a video game rental store in the future, the current state of the industry, what competitors exist in Finland, cover the different steps that need to be taken in order to make the store operational,
and go over the costs of running the business in order to determine what sales figures the store would need to reach in order to be profitable.

The theoretical framework will primarily rely on the business plan instructions found in Thomas Zimmerer’s and Norman Scarborough’s book Essentials of Entrepreneurship and Small Business Management. In addition to this, the report will also use the marketing mix to tackle the marketing options for the business, differential competitor advantage analysis to analyse the various competitors on the market, and the five forces matrix to analyse the video game retail industry in Finland. The data used for these theoretical frameworks was found from secondary information sources online and through personal observations.

1.2 Business Description

The main concept of the business is to rent video games for consoles. These include the Xbox 360, Playstation 3, and Nintendo Wii. The type of video rental store planned in this report will not have PC games in its inventory, as PC games often require registering the game online. The planned business will not have any handheld games either, as there are very many different handheld systems and variations of different manufacturers systems, and it would cost too much to acquire a comprehensive game selection for each platform.

The store would be located somewhere in the greater Helsinki region, in a location that has a potential of reaching a large customer base. If the initial store is successful, further stores can be opened, along with the possibility of offering online rental through postal service. The concept of the business will be similar to that of movie rental stores, such as Makuuni and Filmtown. The main difference in the operation method will come from the higher cost of games when compared to movies, and the longer time it takes to pass a game than it does to watch a movie. Initially no drinks or snacks will be sold, but they may be added later on.
The competitive advantage that this type of business has is that by offering the option of rental instead of buying a game, consumers are able to experience a game for a lower price than they would if they were to buy it for full price. It should be popular especially among people interested in single player games with a short duration, but could have a harder time in attracting consumers interested in games that focus on the multiplayer aspect of the game. This is because single player games have a path that ends in a goal. Once this goal is reached and the game has been passed, the motivation to repeat the same thing again is lowered, and often these types of games are played only once, therefore lowering the incentive to own the game for further playthroughs. Multiplayer games however have no real goal and straightforward path to take, and rather offer open ended play with no real end. As a result, they can offer much more gameplay and can keep their interest much longer, which means that the consumer has more incentive to own the game for further playing in the future.
2 Required steps in starting a business

2.1 Creating the business plan

A business plan is a written summary of an entrepreneur’s proposed business venture, its operational and financial details, its marketing opportunities, and strategy, and its managers skills and abilities. Creating a business plan is important because an entrepreneur needs to a well-conceived factually based business plan in order to increase the likelihood of success. (Scarborough & Zimmerer 2008, 134.) By creating this business plan, an entrepreneur will have a better view of whether such a business as a video game rental store could be profitable in Finland, and what steps need to be taken in order to make it profitable.

According to Thomas Zimmerer and Norman Scarborough, a business plan is usually 25-40 pages long, and while there are common elements in most business plans, every plan is unique. Zimmerer and Scrabourough list some common business plan elements that can be modified when needed, as a title page and table of contents, executive summary, vision and mission statement, company history, business and industry profile, business strategy, description of a firm’s product or service, marketing strategy, competitor analysis, description of the management team, plan of operation, pro forma financial statements, and the loan or investment proposal. (Scarborough & Zimmerer 2008, 138-146.) This report will not cover all of these elements, as the company history is not needed, due to not having a one, and some of the elements will be under slightly different title, or included as a part of another section of the report.

While these examples are good templates for a business plan, there is no universal rule for what a business plan should include. Everyone can include what they feel is necessary in their own business plans. The business plan writer should consider who they are writing the report for, what type of business they will have and what industry they will be operating in when deciding the contents of the plan. For example, this report will not include a section on the entrepreneurs own qualifications and experience, as its
purpose is not to secure a loan, but rather to educate the reader about the video game retail industry in Finland and the possibility of operating a video game rental store successfully in Finland.

When the business plan is ready, it is good to test the idea and get a second opinion from a business advisory service (Työ- ja Elinkeinoministeriö 2012a). Help with planning the business and advice on how to run the business can be gotten for free from Suomen Uusyrityskeskukset Ry (Suomen Uusyrityskeskukset Ry 2012).

2.2 Defining the product range and operational method

Initially the business will only focus on video games from the three major console manufacturers. These three manufacturers are Nintendo, Microsoft, and Sony (Attachment 4). The current console generation is at its end, and Sony’s and Microsoft’s new consoles will most likely get released in 2013, and Nintendo’s new console was released already at the end of 2012. (Attachment 5). Nintendo’s new console still has a limited amount of users as it was just was released, so it would be best to wait for a while before adding its games into the store’s offerings. Once the console has managed to secure a larger consumer base and has a good amount of quality games released on the platform, only then should is games be added to the inventory. As the consoles are transitioning to a new generation, it is best not to invest too heavily in the old generation’s games. Console’s lifespans have continued to grow during the last console generations, and if the previous generation is any indication, the new generation should last around nine years (Attachment 6). This should allow the store to rent the new generations games for many years after they have been acquired. Computer games are not worth including in the game catalogue, as there is a lot of competition from illegal downloads of pirated games, and digital purchases of games (Attachment 8; Attachment 14).

While video games themselves are in no way unique, as they can be purchased from several different stores, renting them is something that does not currently exist in Fin-
land. Video game rental is no new concept in several other countries, such as the United States, but no one is offering it currently in Finland (Attachment 15). The service will give people a chance to either try a game before committing to a purchase, to pass a short game for cheaper than it would cost to buy it, or not have to buy a game that a person wants to play for just a short period of time.

As for the type of games that the store will be offering, there will be a focus on single player games and games that can be played offline on a single console together with friends. This is because these would be the types of games that people would be most likely more interested in renting, as they can usually be passed in a short period of time, or played in social gatherings with friends over a span of few days. Most of the games will also be fairly new games, which would mean ones that have been released over the last year, and also some the most popular older games will be included.

The store will operate in a similar way as a movie rental stores does, where the customer will need to register as a client, show an identification card every time they rent a game, as well as signing a paper where they say that they had rented a game from the store. The client will need to choose how long they wish to rent the game for, and select one of the available time limits, after which they will need to pay either with cash or a credit card. The customer will return the game on its due date, or receive a fine for every late day. If the store survives its first two years, it should consider adding online rental to its services.

### 2.3 Acquiring the startup capital

It is very important to consider carefully where to attempt to acquire a loan from, as the decision may be just as important as deciding where to locate the business (Scarborough & Zimmerer 2008, 463-465). Therefore, in order for the store to be successful, it will need to be able to do a successful fund-raising effort. It will need fixed capital, which is needed in order to purchase fixed assets, and also working capital, which will finance the company’s short-term operations.
As many businesses do not make a profit during their first year of operations, the store will need to acquire a sufficient amount of money to support its first year operations. Some personal savings can be used, but capital needs to be acquired through other means in order to make that the business will be able to keep running. The primary means of acquiring capital that need to be considered are through bank loans, borrowing from friends or family, venture capital from investors, and loans from financing companies.

Financing companies are one option when looking for a loan. One possible financing company to look for a loan is Finnvera, which is owned by the state of Finland (Finnvera 2012a). Some other examples are Aasa Oy and Svea Rahoitus. Finnvera is probably the best option out of these financing companies, as it focuses on providing financing for companies that do not have enough funds for investments and development projects (Expat Finland 2011). They also provide their opinions on your business and its future outlook, along with granting loans with lower interest rates than most places are able to give, due to the government interest subsidy. The loan can cover 80% of the initial investment on the company, and the loan time is at most ten years. (Suomen Yrittäjät 2012a.) Therefore Finnvera would be the first place to look for a loan, and bank loans would be a second option.

Angel investors are another option that may provide venture capital for businesses, but one that may not be suitable if the entrepreneur wants total control over the business. Many investors may feel that they have the right to interfere with the operations of the business once they have invested in it. There are also investors who prefer to stay on the sideline and they could be one possible source of capital if other loan options fall through. If an angel investor who has experience in the gaming industry can be found, his or her experience could prove very valuable in the form of useful advice. Some possible locations for finding an angel investor in Finland are Business Angels Finland, Scandinavian Investment Network and Finnish Business Angels Network. (Angel In-
vestment Network Ltd 2012; Business Angels Finland 2012; Fiban – Suomen Yksityissijoittajat Ry 2012.) It may be hard to attract angel investors, however, as they often are interested in investing in larger companies that are capable of producing much bigger profits.

Getting seed money from family members or friends may be a safe option, but one that could lead to strained relations if there are difficulties to pay the loan back. While the payback time for the loan may be more flexible, there is always the risk that the relationship with them could turn sour if disagreements arise, or if there are troubles paying the loan back. Acquiring a small loan from family or friends to supplement other seed money could be an acceptable option, as it would be easier to pay back.

There are also special programs and grants that could benefit this type of a company. One option is to apply for a loan guarantee through the Competitiveness and Innovation Framework Programme (European Commission 2012). It is also possible to apply for a start-up grant from the employment offices, along with training for entrepreneurs (Ministry of Employment and the Economy 2012). Tekes could be one possible place for a grant, as they provide grants for innovating businesses, but a video game rental store would most likely not be eligible for this (Suomen Yrittäjät 2012b).

Once the startup capital has been obtained, it will need to be deposited in a bank account, and a corporate bank account will need to be opened for the business. It is best to open the account while still establishing the business. (Työ- ja Elinkeinoministeriö 2012b.) The account can be opened in any bank, and an entrepreneur can open the account once the basic notification has been done and the business identity card has been received (Nordea 2012a). For example, Nordea’s entrepreneur’s e-payment service package would be one possible bank account option (Nordea 2012b). In addition to looking for a loan, it would be useful to look into getting a guarantee for the business. Guarantees can be applied for from banks or from companies such as
Finnvera (Finnvera 2012b; Nordea 2012c). A guarantee works as collateral given by the bank for your company, in favor of your contracting party (Nordea 2012d). It will show your trading partners that you can be trusted, and help control the risks that come with trading (Nordea 2012c).

Being able to acquire a loan is very important, as it assures that all the required assets can be bought, and that the business can pay for its operation costs. In order to make sure that the business will be able to secure a loan, the business plan for it will need to be very convincing and clear. The loan should also be one that does not have a very high interest rate, as it will need to eventually be paid back. Finnvera would be a good location to acquire a loan from, as they also provide advice on running the business.

### 2.4 Renting a store and acquiring store assets

When renting a store, a written lease should be signed, preferably a fixed term one for a certain amount of years. The lease itself should contain all the required information, such as the information of the store that is being leased and what it is leased for, how long the lease is for, the names of the participants and the business ID, the cost of the rent and any information on rent increases, when the store can be used, and all the required signatures. (Työ- ja Elinkeinoministeriö 2012c.)

There are several different assets that need to be purchased before the store can open for business. Naturally, the video games themselves are one such thing, and they are also the most expensive part of all the assets. A GameStop store has usually over 2000 different titles in their inventory, but the store planned in this report will have considerably less during the first year of operation, as it will mainly focus on recently released titles, whereas GameStop has games from throughout the different consoles lifecycles. The store will have about 200 different titles during its first year of operation, and as there will be more than one copy for the more popular games, the total will be around 250 games. As games have a shorter shelf life than movies (Poggi 2011), and are more expensive to buy, a balance between limiting the amount of games bought, and
meeting customer demand needs to be found. While the plan is to buy about 250 games, the final amount will be determined based on the price of the games that will have to be negotiated with distributors, and the budget for buying games.

Having a somewhat limited game supply in the beginning could lead to game shortages, which in turn might make people look for their games somewhere else in the future. Unfortunately it would take a lot of capital to buy a large game selection, and the store will have to compete with a more limited selection at least during its first few years. As video games are copyrighted material, the store would need to buy games with the license to rent them, which would cost more than regular games sold at retail. The exact cost for this would have to be negotiated with publishers or distributors. Another option would be to attempt to negotiate a revenue sharing deal with publishers, where the store would give a percentage of each rental’s revenue to the publisher, but it is unlikely that a publisher would agree to this type of deal with a smaller business. For the first year, the allocated budget for rental games will be 30,000€, and the budget will be adjusted if needed, depending on how much the games will cost.

The store itself will have two separate racks for games in the middle of the store, with shelves for games on both sides of the store’s walls. The shelves will have to be purchased custom made from a company that makes them, such as Prafit Oy (Prafit Oy 2012a). Since the store will need custom made shelves, and probably custom made display racks for games, the price will depend on exactly what size equipment needs to be ordered. The prices of custom made shelves are not listed, but as even simple display stands can cost 189,00€ (Prafit Oy 2012b), the estimated budget for shelves and racks will be 2000€.

Other things that need to be purchased include a computer and computer screen, which would be around 600€, a cash register, which would cost around 300€, a payment terminal for credit and debit cards for 525€, two shelves where to keep the
games in the storage room for 258,00€, office supplies such as pencils and paper for around 30€, some cleaning equipment for 30€, and an advertisement stand for outside of the store for 88,50€ (Konttorikoneliike Sarin-Väisänen Oy 2012a; Konttorikoneliike Sarin-Väisänen Oy 2012b; Prafit Oy 2012c; Witre Oy 2012). Any possible posters and other promotional material can hopefully be obtained from video game suppliers. If the store that is chosen does not have a sales counter, that also will need to be bought.

In addition to buying a computer, it will also need the appropriate software, so that the business will be able to maintain a customer database, stay up to date on where the games are, and take care of accounting. There are several programs that offer these services, and one of them is Passelin Oy. Their Passeli Standard program would be most ideal for a small company’s needs (Passeli Ohjelmat Oy 2012). Passeli does not list their prices on their website, but another similar service called Ecom lists their service cost as 200€ and a monthly fee of 26€, which would make add up to 312€ a year (Ecom Oy 2012). Passeli would most likely cost more than this, as it has a strong brand in Finland. As such, the stores budget for such a program will be 500€. If the Passeli Standard program costs more than that, another similar program will be bought for the 500€ price range. As for other required software, a computer with all the needed Microsoft software already installed should be purchased.

2.5 Webpage

The business will also need its own webpage. It will not be used to sell games, but rather just as an information and marketing source. The website will list the store location, game catalogue, company information, and contact details on it. The website could be purchased through a company that specializes in website development, but that could end up being rather expensive, depending on how long it would take. As an example, KWD Digital charges around 100€ an hour, depending on what service they are providing (KWD Digital 2012). On top of that, they or some other company would need to be paid to update the website regularly. Another cheaper option, and one that will be used, is creating the website on your own. Kotisivukone offers such a service,
and the cost for it would be 17,90€ a month, which includes the ability to update the pages (Ideakone Oy 2012). Since the stores website will not be used for selling purposes and it will be very simple, a service such as the one offered by Kotisivukone should be adequate. The cost of it would be 214,80€ a year.

2.6 Suppliers

There are several Finnish distributors that import games into Finland, and if good deals cannot be found through them, there are also several distributors across Europe that will export games to Finland (Attachment 3). Due to its proximity and cost of its games, UK may be the best option to look for a distributor from abroad. As some distributors focus only on certain publisher’s games, it is likely that games would need to be bought through several different distributors. Ideally the store would acquire all of its games through Finnish suppliers, as it would be easier to stay in contact and to have more face to face meetings with them, which should result in stronger business relationships. It is unlikely that Finnish suppliers currently have any rental games in their inventory though, as there are no game rental companies in the Finnish market. They would need to approach the publishers and request for rental games for their inventory, and it is possible that some are unwilling to do so for such a small business.

Acquiring distributors may be problematic, as many of them may not want a game rental store to enter the market and compete with their other clients, as game rental would reduce the sale of games, and thus also their profits. Also, some of the bigger distributors may only sell games to companies that are able to buy games in large quantities. As this game rental business would purchase small quantities of games, it would not have much power when negotiating prices with the suppliers, and quite certainly would not be able to obtain any exclusive deals or get any advertising allowances.
2.7 Employees

Hiring the right types of employees is especially important for a small business, as each employee will likely have a much bigger influence on the company’s future than they would in a large company. Hiring the wrong type of worker can end up being very costly, which is why I need spend enough time in searching for appropriate employees. (Scarborough & Zimmerer 2008, 602.) Besides me, the store will also have shift workers to help with the workload. These employees will be recruited through online job search sites, such as Monster.fi. The types of workers that will be looked for are young, have previous customer service experience, and are video game players themselves, as it will be useful to have workers that have a good understanding of the products that they are selling. Video game players may also have a higher motivation to work in the video game retail industry, and hopefully this enthusiasm will show in their customer service. As with many shift jobs, the shift workers will most likely be students, preferably studying in some type of higher education. In addition to me, the store will initially have one other worker helping with running the store. The shift workers will receive a hourly wage of 6,70 €, with naturally increased pay on days when it is required, such as weekend pay. Once the store is more established and receives more revenue, more workers can be hired to help with the workload.

As the store will have such a small amount of workers, it will not have any specific HRM strategy. There will likely be a somewhat high worker turnover, as the work is something that people can do on the side when they are focusing on their studies, and not something that they plan on doing as a career. A high worker turnover is never a good thing, as it takes time to train a new worker, but it should not be a huge issue as the work is not very complicated to do and can be learned quickly. As there are no real advancement possibilities, the main motivator will be money, and hopefully the chance to work with something that the workers are interested in, if video games and the industry fall under their area of interest. There will not be any bonuses for reaching specific sales figures, but workers will receive gifts or bonuses during special occasions,
such as Christmas or the workers birthdays, in order to maintain a positive work environment.

When posting job applications, it is important to remember that certain things cannot be posted as requirements. For example, there cannot be requirements for age, gender, or for perfect Finnish language skill. Also, there cannot be a mention about issues such as marital status, religion, or the applicant’s children. The job advertisement should also include a very accurate description of what the job entitles, and what is required from the applicant. When I find appropriate workers, I will need to sign work contracts with them, which should include all important information about the job and payment. (Työ- ja Elinkeinoministeriö 2012d.) Unpaid interns can help with the workload at some point. Interns are not allowed to be used as regular workers though, as they are not allowed to do regular everyday work when they are unpaid, but rather have work that allows them to learn about the working life. (Työ- ja Elinkeinoministeriö 2012d.)

Besides paying the employees for their regular work, there are also additional costs that need to be taken into account. Some examples for these are payments for sick leave, parental care for when a child is sick, and maternity leave payment. These additional payments often make up one third of what is paid to the employee. (Työ- ja Elinkeinoministeriö 2012c.) Since the store will have employees, it will need to follow the work sectors minimum requirements regarding work conditions and employment terms that are set in nationwide collective labor agreement. The store will also need to get a pension and accident insurance for all of its employees. (Työ- ja Elinkeinoministeriö 2012f.) All of the employees who are between the ages of 18 to 68 need to be insured. The basic TyEL premium pension is 22.5% of the employee’s TyEL wages, and under 53 year old employee's part of the pension premium is 4.5%, while above that age, the share is 5.7%. The employer will need to take care of all the workers’ pension premiums when paying wages. (Työ- ja Elinkeinoministeriö 2012g.) The employer will also need to withhold all of the employees’ taxes from their wages, and
pay the social security contribution, which is based on all the paid wages (Työ- ja Elinkeinoministeriö 2012h). A good service for calculating all the employees’ wages, including all their additional costs, is Palkka.fi (Verohallinto 2012). The employer will need to notify the accident insurance company, Tax Administration, and an employment pension company annually about all the paid wages (Työ- ja Elinkeinoministeriö 2012i). The employer will also need to provide health care to all of its employees (Työ- ja Elinkeinoministeriö 2012j).

2.8 Legal issues and insurance

One important factor to take into consideration is to make sure that the sales people follow the games age restrictions when renting games. The age limits for games are defined by PEGI, which stands for Pan European Game Information. (PEGI 2012). The games age limits are labeled on the back of the game in different colored boxes, and in front of the game case for games that are not allowed for under 18 year olds. Video game rental does not fall under any business sector that requires a special permit to operate, such as selling liquor does (Työ- ja Elinkeinoministeriö 2012r).

There are also no other specific legal restrictions that would apply only to the video game rental industry. All the regular laws regarding running a business need to be followed, such as paying taxes and following employment laws. In any other legal issues, an organization that offers free legal counsel can be contacted for advice. For example, The Finnish Bar Association offers such a free service (Suomen Asianajajaliitto 2012). Naturally this counsel will not be very thorough help, and if the company faces more complicated legal troubles, it will need to hire the services of a law firm.

The company will need to get an insurance plan once it starts operating. One example of such an insurance plan is Eläke-Fennia’s YEL-insurance (Eläke-Fennia 2012a). The cost of the insurance will be 22.50% of all the income, and the entrepreneur can personally pay for it, or the company can pay for it (Eläke-Fennia 2012b). A new entrepreneur will get a 22% discount for the first 48 months, when the contract is signed in
2013. By becoming their client, their insurance experts will also provide help with insurance related matters. (Eläke-Fennia 2012c.)

2.9 Formalities and accounting

Once you have a plan for your business, the required finances and are ready to finally a start it, you will need to officially register the company. For this, you will need to decide what type of company you will want to have. An entrepreneur who wishes to start a small video game rental business has the option of being either a private entrepreneur or starting a limited liability company (Työ- ja Elinkeinoministeriö 2012k). For a small business such as a video game rental store, being a private entrepreneur would be the best form of ownership.

Since the company will have a permanent place of business in the form of a rental store, it will be required to submit a notification to the trade register before starting its operations. The form that needs to be filled is the Y3 start-up notification form, which can be attained from the PatRek customer service, city administrative courts, ELY Centres, and service points for the tax administration. The form can be also given to all of these locations after it is completed. (Työ- ja Elinkeinoministeriö 2012l.) When operating as a private entrepreneur from inside the EEA, the company will not be required to create establishment documents (Työ- ja Elinkeinoministeriö 2012m).

As far as taxation goes, a new company will need to send notifications to the employer register, VAT register and prepayment register (Työ- ja Elinkeinoministeriö 2012n). The prepayment register will require an estimate of the company’s net sales and taxable income for its first accounting period, on which the tax administration will decide the tax to be prepaid. If the estimated amount proves to be too high or low, it can be requested to be changed later on. (Työ- ja Elinkeinoministeriö 2012o.) As the business will have employees, it will need to register as a registered employer. Once this has been done, the tax administration will send pre-completed giro forms for payment and notification of the company’s payments to its employees. (Työ- ja Elinkeinoministeriö
Finally, the tax administration will need to be notified about the company before starting any operations. This can be done with the Y3 form when starting the business, or with the Y6 amendment notification if the entrepreneur did not register VAT–liable at the time of the start-up. (Työ- ja Elinkeinoministeriö 2012q.) A company can also be registered online, on perustayritys.fi. It offers all the required documents, making the registration process fast and easy. In addition to providing the required documents, it helps you create bank accounts and attain the needed insurances. (Perustayritys Fi Oy 2012.)

The value added tax for the rental games will be standard rate of 24% (Finnish Tax Administration 2012a). The taxes need to be paid to the Finnish Tax Administration, and they will get all the needed tax information about the business from the start-up notification that is filled for the Finnish Business Information System (Finnish Tax Administration 2010). When the company knows who will be working for them, the Finnish Tax Administration’s help service can be called and they will clarify all the required tax information for the employees, and any other queries about taxation (Finnish Tax Administration 2012b). More about the required taxation forms can be read from the earlier chapter 2.12.

For such a small business, it would be cost effective for the entrepreneur to take care of the accounting on their own, as long as they know how to take care of it properly. A program such as Passeli Standard can take care of a small business’ accounting needs (Visma Passeli Oy 2013). If it seems that taking care of accounting proves to be too difficult, the accounting can be outsourced to an accounting firm, but this would further increase the operating costs.
3 Developing the business strategy

The main aim of a strategic plan is to create a competitive advantage for the company. Competitive advantage on its own will not guarantee success, but rather sustainable competitive advantage must be achieved. This means that the company must be able to develop its core competencies, such as customer service. (Scarborough & Zimmerer 2008, 85-86.) The strategic plan can be created by following nine different steps. These steps involve developing a clear vision and mission statement, developing goals and objectives, analysing the company’s strengths and weaknesses, analysing opportunities and threats, realizing what are the key factors for the success of the business, learning about the competitors, selecting the right strategy, creating action plans based on this strategy, and finally creating controls for the chosen strategy. (Scarborough & Zimmerer 2008, 90.)

3.1 Vission, mission, goals, and objectives

The first step, which is the vision statement, is to offer video game players a new way of acquiring games, and offering great and knowledgeable customer service at the same time. The store will also aim to have a great atmosphere, making it a pleasant place for both customers and workers alike to come to.

The mission statement of the company is to provide customers a chance to play new and popular console games for a great value by offering them the option of renting games instead of buying them. The aim is to make this service as easy and effortless for the consumer as possible.

The objectives of the company, which are part of the second step, are as follows:

- Finnish the first year with a loss of no more than 10,000€.
- Establish a consumer database and keep improving my product range based on their preferences.
• Make 25% of video game players in the Capital Region aware of my service.
• Produce a profit of 15,000€ in the second year.
• Improve my customer database by 35% in the second year.
• Expand my game offering by 30% in the second year.
• Start including next generation games in my product range in the second year.
• Move to a larger and better located store in the third year.

The goals of the business are as follows:

• To survive the first year and establish a foothold as the sole video game rental provider in Finland.
• Become profitable in the second year.
• Surpass the profits of other small video game stores in the Capital Region, that are not part of a chain.
• Expand to one new city in the fourth year.
• Reach profit figures as GameStop stores in the Capital Region in the fourth year.
• To expand to online rental and establish a presence outside of the Capital Region in the fourth year.
• Expand to a third store in the fourth year.
• To become the fifth largest video game provider in the Capital Region during the fifth year.

3.2 SWOT analysis
The SWOT analysis, which can be seen in figure 2, involves both steps three and four of the strategy planning process. The main strength of starting a video rental store comes from the fact that it will be able to offer video games for a cheaper price for people who want to play video games short periods of time, and also from the fact that it would be the only business offering such service in Finland. Since the store will be located in central Helsinki, it should be in an area with a high population density and accessible due to good public transport options in the area. The service should also be popular among gamers who are looking for games they know they are able to pass quickly, gamers who want to try a game before buying it, and gamers who are interested to play multiplayer games with their friends for a short period of time, such as over the weekend.

The weaknesses come from being too expensive for players who wish to play games that last for several weeks, and for not being attractive for customers who play for less than five hours a week and wish to complete games that take long to pass, as it would become more affordable to buy a game than to rent it for so long. Since this business

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable price.</td>
<td>Expensive for long games.</td>
</tr>
<tr>
<td>A chance to try a game for cheap.</td>
<td>Bad value for players who like single player games and play slow.</td>
</tr>
<tr>
<td>Central store location.</td>
<td>Store is not able to buy games in big bulks to keep costs down.</td>
</tr>
<tr>
<td>Gives people a chance to try a game for a short period of time.</td>
<td>Only able to sell from one physical location.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>No other video game rental companies in the Finnish market.</td>
<td>Piracy.</td>
</tr>
<tr>
<td>A chance to attract casual and frugal gamers who do not buy full priced games.</td>
<td>Growth of digital sales and cloud gaming.</td>
</tr>
<tr>
<td></td>
<td>Unstable economic situation.</td>
</tr>
<tr>
<td></td>
<td>Methods to stop used game sales.</td>
</tr>
<tr>
<td></td>
<td>Publishers refusing to sell rental games.</td>
</tr>
<tr>
<td></td>
<td>New gaming methods.</td>
</tr>
<tr>
<td></td>
<td>Video games demand after two years.</td>
</tr>
</tbody>
</table>

Figure 2. SWOT analysis
will only have one store and not be a part of a larger chain, it will not be able to buy games in large quantities, which could have helped keep the cost of purchasing the games down. Some large suppliers may also refuse to sell very small quantities of games, as they may only focus on selling large bulks of games.

The main opportunities come from the untapped video game rental market business, as there is a potential to expand and become successful if the business concept has demand, as there are currently no other direct competitors with a similar service. As far as gamer types go, casual gamers do not buy games very frequently, and often not full priced console games. The game rental service could potentially attract them to play games more frequently, and turn them into more active gamers. The store may also be able to attract many frugal gamers to play games when they are brand new, rather than waiting for their prices to drop as they get older.

One potential threat comes from the unstable economic situation and what it might do to the stores sales figures, and how the economic situation may make it difficult to acquire a loan to start the business, as banks can be more reluctant to give loans in unstable economic times. Currently it would seem that the Finnish economy will see small growth in 2013, and start to improve in 2014 (Attachment 1). The Finnish economy is greatly affected by the global economy, and troubles in other parts of the world could also affect Finland. Currently it seems that the global economy should see slight improvement in the upcoming years, but there are uncertainties that could shift turn Finland back to recession (Attachment 2). As video game suppliers make their money from selling several games to video game retailers in Finland, they may be reluctant to provide rental games that would eat away the profits that they get from selling regular games. However, a case could be made that game rentals are a way to fight against used games sales. As publishers get money for game rentals, but not for used game sales, this could convince them to be more supportive of the business model. At least Blockbuster’s video game rental service has gained support from some video game publishers because of this fact (Purchese 2011a).
Another potential threat is cloud gaming. It is a technology that allows people to stream games from the cloud company’s servers on to the platform that they choose to play with. This means that the player does not buy the game itself, but is connected to the company’s server that processes the game, and the server sends video images to the consumer through an internet connection. This would allow consumers to play games without having to buy the game from a retailer, and it could seriously harm the video game retail market. Sony and Samsung are some of the companies that have shown interest in the technology and invested in it. Cloud gaming is still a relatively new concept and not very popular, but as the technology used for it continues to improve and fix some of the problems with the service, it could quickly become much more popular. (Attachment 9.) Many game developers have also started including additional content with their new games that can be only downloaded once online, in an attempt to fight against used game sales. This is also harmful to rental business, as I will not be able to give away this type of free content, and it may encourage consumers to buy new games instead. This type of additional content is not very widespread yet, but it could potentially become more common in the future.

As the music industry has been switching to digital sale of music for many years now, the gaming industry is starting to follow in the same path. Digital sale of games has been growing in recent years, and each year digital downloads take away market share from physical retail stores. Digital sales have been more popular on computers, but as internet speeds continue to improve and console’s memory capacities grow, digital sale of games will most likely become popular on consoles as well. (Attachment 8.) This shift to digital distribution naturally poses a threat for a game rental store, as it could reduce its profits. The new console generations will also have new competitors, as the game developer Valve will come out with a living room PC that will rely on digital sale of games, and Ouya is another smaller budget console that will rely on providing games through a cloud gaming service (Attachment 5). These new competitors will not likely pose a big threat, but could take away some profits from game retailers. The sale
of used video games could also bring along possible threats, as game publishers and
developers attempt to come up with ways to prevent the sale of used games. Some
publishers include exclusive content along with new games, and others require the
game to be registered online to access all the content the game has to offer. There have
also been some rumors of consoles eventually implementing technology that prevents
used games from being played, which would destroy the video game rental business as
well, but so far these have been only rumors. (Attachment 10.)

When looking at games lifecycles that are sold at retail locations, they make most of
their profit during their first few years. The price of games also drops drastically after
its first few years. (Attachment 6.) This could make it hard to rent games that are over
two years old, as their demand has dropped and they can be purchased for cheap from
other retailers. Not all games are sold at physical retail locations for many years though,
which means that renting certain titles may be the only option to play a game, unless
the consumer wishes to buy it online. New ways of playing games have emerged in
recent years, and these could also pose some threat for video game stores if they con-
tinue to grow in popularity. Mobile games and social games played on sites such as
Facebook have become very popular, and some developers have also attempted to re-
lease games for free and make money on selling additional content for a game (At-
tachment 11; Attachment 12; Attachment 13). Piracy is also another threat that has
been bothering the gaming industry for a very long time. While it is a bigger problem
on PC’s, there is always a risk that more effective ways of playing pirated games on
consoles will emerge, which would reduce the profits of all types of video game stores.
(Attachment 14.)

3.3 Key success factors

The fifth part of the strategy planning process is to identify the key success factors.
Since the rental store will be providing the same products as its competitors, it will be
hard to gain a competitive advantage with the offered products. While the store will
not be able to differentiate itself with different products, it needs to have a
comprehensive game catalogue in order to remain competitive. While it will be difficult to match the larger game stores game selections, the store should have at least a similar game selection as some of the smaller competitors on the market if it wishes to be successful. Another key success factor is to offer friendly and knowledgeable customer service. While this is unlikely to attract customers to the store, the lack of it could drive some people away to competitors’ stores.

The final two key success factors, and also the most important ones, come from the price of the games and the location of the store. As the store will offer the same games as its competitors are offering, customers often choose where they buy their products from by how convenient the shopping process is for them, and where they can get the game for the cheapest. Therefore both location and price are very important success factors, and ones that this company should be fairly competitive in. While the planned location where the store will be placed is not the best possible, it should still be somewhat easy to access for people who travel in central Helsinki, and the game prices are very affordable, at least for new games that do not take very long to pass.

3.4 Competitor analysis

The sixth part of the strategy planning process is to identify the main competitors. No direct competitors exist, as a company that offers video game rental from a physical location is unique in Finland. However, there are several indirect competitors. The competitors can be divided into seven categories, which are e-traders, specialty stores, department stores, resale stores, hypermarkets, variety stores, and category specialists. As video game retail industry has a large customer base, the market is saturated with companies that sell games, many of which are specialized in offering only games, and as such, there is a lot of competition.
Table 1. Differential Competitor Advantage Analysis on biggest video game retail competitors (Lehmann & Winter 2005, 126)

<table>
<thead>
<tr>
<th>Critical success factors</th>
<th>Verkkokauppa</th>
<th>GameStop</th>
<th>Anttila</th>
<th>Citymarket</th>
<th>Stockmann</th>
<th>Rental Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices of games</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Amount of stores</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Location of stores</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Game selection</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Online store</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Overall rating</td>
<td>18</td>
<td>20</td>
<td>17</td>
<td>18</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

When comparing the rental store business idea to the existing competitors, it does not match very well against the largest companies, as seen in table 1, which compares the planned business with some of the bigger competitors. These larger competitors have much bigger resources and a much bigger presence in the Capital Region due to operating several stores in the region, or then they have a very strong online presence. The one category that the planned store matches well against the competitors is with the price of the games, and this one factor is a big deciding influence in game players purchasing decisions. As such, the store should be able to gain a moderate market share, and gain a fairly decent customer base while operating in the video game rental niche, which does not currently have any other companies. The planned rental store should match especially well against the other smaller companies in the market. If video game rental proves to be popular, other new companies may enter the market to offer this service, and some of the smaller companies may include rental games in their inventory. However, it is unlikely that the larger companies would include rental games in their product offering, as it would take away profits from their regular game sales.

GameStop is the biggest competitor on the market, as they have several stores in good locations in the Capital Region, focus only on selling video game related merchandize, and their used games are very popular due to the cheaper prices of used games (Attachment 17). Hypermarkets Citymarket and Prisma have rather high game prices, but they have several stores in good locations and attract a lot of customers with their wide
product selection (Attachment 18). Department stores Stockmann, Anttila and Sokos are also very similar to the aforementioned hypermarkets, but Sokos and Stockmann don’t have very many different stores in the Capital Region (Attachment 19). Category specialists, such as Gigantti and Verkkokauppa, are also big competitors. They have somewhat cheaper prices and better game selections than hypermarkets and department stores, but not as many stores and not in as good locations. Verkkokauppa is an especially strong competitor due to its online store. (Attachment 20.) There are also several smaller competitors, such as small video game specialty stores, variety stores such as Clas Ohlsson, used product sellers such as Huuto.net, and foreign internet companies such as Amazon (Attachment 17; Attachment 21; Attachment 22; Attachment 23). These smaller competitors do not have as much of a market share in the Finnish video game market, and these are the ones that the rental store will likely be mainly competing with during its first year of operation.

The amount of competitors has remained fairly similar for many years, as the largest companies have been in the market for a long time, and while some of the smaller companies have changed over the years, most of them have also operated for many years. One big change that has happened in recent years is the emergence of used game sales. It became very popular when GameStop entered the market and started offering this buying option, and many of the smaller competitors have adapted and also started offering used games. The other big companies do not offer this service yet, except for the Anttila store in the Itäkeskus shopping centre, as they have started to buy used games in exchange for store credit (Anttila Oy 2012). If the experiment proves successful, other bigger companies may adapt and start offering to buy old games as well. As digital sales are becoming increasingly popular, the largest competitors will no doubt shift their strategies and start selling more digital products. Many of them may not have the resources to start operating their own digital stores though, and especially some of the smaller companies may end up going out of business as digital sales continue to become more popular.
The price differences between the various competitors is not very larger, as seen in figure 3, which compares the price of several competitors Xbox 360 version of Far Cry 3 a month after its release. As seen in the graph, some stores may occasionally have discounts for games that lower their prices below that of competitors, but otherwise the price ranges usually remain within 10€ from one another. While the prices for new games remain fairly similar, there can be much larger differences in the prices of used games.

3.5 Selecting the right strategy and translating it into action plans

Steps seven and eight involve choosing the right strategy based on the finding, and translating this strategy to action plans. As pointed out earlier in this chapter, the video game retail industry in Finland is very saturated, and it would be very difficult to enter the market while offering the same products and same service as all the other competitors. Therefore Porter’s differentiation strategy would be a suitable strategy. The strat-
egy involves achieving superior performance in an area that many customers value (Keller & Kotler 2012, 73). In this case, the area would be the way people purchase their games, as the company will offer rental service instead of selling games, and give better value through a cheaper price for games that do not take very long to complete.

The first step of the implementing the strategy will be to secure a business loan in order to have enough capital to run the business. Once this is achieved, all the different assets that are needed to run the business need to be bought. The shelves and other store equipment should be fairly easy to acquire, but the games themselves may prove to be more difficult to purchase. Both Finnish and foreign suppliers should be contacted to see which companies have the best prices for their games. Once the assets have been purchased, all the paperwork that is needed to be filled needs to be taken care of, and a lease should be filled for a store. Finally, another employee should be hired to help run the store, and the company should be ready to start its operations.

Once the store is operational, it will need to implement its marketing plan in order to gain visibility for the store, and make potential customers aware of it. This will require contacting several different marketing channels that have been identified in the marketing plan of this report. Then all that is needed is to provide good customer service, and take care of the store’s everyday tasks. While running the business, the employees should keep track of what type of customer come to the store and what games they like to rent, in order to improve the store’s game selection and marketing efforts.

3.6 Establishing accurate controls

The final step is to analyse how successful the chosen strategy is. When doing so, both financial success and customer satisfaction should be measured. This analysing process can be done with the help of a balanced scorecard. Generally a balanced scorecard has four different areas that it inspects, which is why in this case the business will additionally measure internal business and innovation within the business when determining the success of its strategy. (Scarborough & Zimmerer 2008, 115-116.) For this, the
business will need to gather data by analysing my financial figures, gathering information on customers and attempting to get feedback from them, and also evaluating the employees own performances.
4 Video game retail industry

4.1 Video game retail industry in Finland

Table 2. Five forces matrix (Scarborough & Zimmerer 2008, 126)

<table>
<thead>
<tr>
<th>Force</th>
<th>Importance</th>
<th>Threat to industry</th>
<th>Weighed score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rivalry among competitors</td>
<td>5</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Bargaining power of suppliers</td>
<td>3</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Bargaining power of buyers</td>
<td>5</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Threat of new entrants</td>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Threat of substitute products or services</td>
<td>4</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>71</strong></td>
</tr>
</tbody>
</table>

The five forces matrix, which can be seen in table 2, can help identify how attractive an industry is. The weighed score, which shows how attractive an industry is, can be calculated by multiplying the importance of a force and the threat it possesses to the industry. Five is the lowest possible score, which makes the industry very attractive, and 125 is the highest possible score, which indicates that the industry is very unattractive. (Scarborough & Zimmerer 2008, 126.) In the case of video game retail industry in Finland, the estimated weighed score is 71, which would indicate that the industry is very competitive, but still may offer some opportunities for new businesses. As the market is rather saturated, any new companies would need to offer something new, be able to offer much more competitive prices, or market their products much more effectively. In the case of this planned game rental store, it will be offering something new, which should help differentiate itself from the other competitors.

While there are very many competitors in the industry in Finland, most of them do not differ very much from one another. They all have very similar product offerings, and attempt to differentiate from one another through location, price, and marketing. By far the largest and biggest threat comes from GameStop, as they managed to establish a very strong presence in Finland. There is some room for new competitors, if they
manage to offer something new that would differentiate them from the rest, which is something that this service would do. The video game suppliers unlikely have very strong power over the larger companies, such as GameStop, but they most likely possess a much larger bargaining power over smaller companies, as these smaller companies are not very critical for their success. As this planned business is rather small, it will be unlikely to get as good deals with the suppliers as larger companies do. Buyers also possess quite a lot of power, as the switching cost from switching from one business to another is very low, which means that people often look for the best offer and have little loyalty for a specific business. There are also many different places they can purchase their games from, and if there are no preferable places in Finland, they can always order a game from abroad. They can also easily compare prices, as most companies list their prices online. This becomes evident especially once a video game ages a bit and several places drop their prices for that title. The rest of the game retailers need to do the same, or they are unlikely to move many copies of that game.

As earlier noted, the market is rather saturated, and unlikely to get many new companies, unless some current companies stop operating. Therefore the risk of new competitors emerging is not very high. Some small companies may start up, but they do not pose a big threat, and it is unlikely that any larger Finnish game retailer chains would be established. There are some larger foreign companies, such as Game in the United Kingdom, that could enter the Finnish market, but that scenario is quite unlikely, as there are already many competitors in Finland and the market is not very large. As for substitute products, there are many other types of game platforms that consumers can use, such as handheld games and computer games. Especially computer games are a big threat, as many games that can be bought for consoles, can also be bought for computers. Piracy is a big problem especially on computers, and consumers may opt to download a game illegally for free on a PC, instead of renting it for a console. The game developer Valve is also coming out with a new PC for the living room that will allow consumers to play games with a television and download them form Valve’s Steam store (Kain 2012). This would offer a great substitute for people who prefer to
play computer games, but like to play on in their living room and through a television. Due to these factors, the industry is not very attractive, but a new company could start a successful business, as long as it has something innovative to offer that would differentiate it from the others, or if it had big resources and could gain a large market share through predatory pricing.

![Sales in euros](image)

**Figure 4.** Finland’s video game retail sales (FIGMA 2010; FIGMA 2012a; FIGMA 2012b)

As an industry, the video game retail market is very large, and one of the larger entertainment industries in Finland. The industry sales figures have been declining slightly in recent years, as shown in figure 4, but this often happens towards the end of console generation. As new consoles are released, the sales should gradually pick up again. While the industry does generate a lot of money, there are also many different parties that take a cut from it, and the retailers’ percentage of a game’s final price is only about 27% (Yin-Poole 2011). As video games have been sold since the 1970’s, the video game retail market is in its maturity stage. The industry is slowly moving towards digital sales, and retail stores are slowly losing their share of the sales. They still are the largest distribution channel, but they could lose this position sometime in the future.
FIGMA, which is an organization for Finland’s game industry and multimedia association, gathers information on how many games are sold in Finland each year. According to their estimations, there was slight increase in video game generated revenue from 2009 to 2010, but in 2011, sales dropped under 2009 figures. The total number of games sold and the revenue they generated during these three years was 2 783 000 sold copies for 101 100 000€ in 2009, 3 045 000 copies sold for 108 600 000€ in 2010, 2 500 000 copies sold for 97 000 000€ in 2011. As for pre 2009, they have only their organization’s member’s sales figures. The figures reach back to 1999, and they show a clear upward trend in both games sold and revenue generated, but this could be because of an increase in the amount of members the organization has. (FIGMA 2011.)

![Figure 5. Games sold in Finland by platform in 2012 (FIGMA 2012a)](image)

Based on the figures gathered by market research company GFK, there were 1,46 million games sold for 47 100 100€ during the first nine months of 2012. At the same time during the previous year, the figure was at 1,58 million sold copies, and the generated revenue was 9,5% higher. Out of all the different platform types, console games were the most popular, as they generated 74% of all the revenue, and made up 66,8% of all sold games, as shown in figure 5. PC games came in second with 18,4% of the generated revenue and 24,6% of the sold games, while handheld games were the least sold game type, with a share of 7,6% of the generated revenue and 8,5% of the all the
sold games. Sony’s Playstation 3 seems to be the most popular console in Finland, as their games made up 35.7% of all the sold games, which amounted to 41.3% of all the revenue video games generated. Microsoft Xbox 360 games came in second with 20.1% of the revenue and 17.9% of the games sold, and Nintendo Wii was last with 11% of the revenue and 9.6% of the games sold. (FIGMA 2012.)

When comparing GFK’s 2012 sales figures to 2010 sales volume data gathered by Nordic Game Solutions, Playstation 3 games have improved a bit since then, as they used to make up 26.9% of all the sold games. Xbox 360 games have slightly improved their share as well from 15.6%, while Nintendo Wii’s share has remained nearly identical. PC games share of the market seems be coming down, as they used to have 22.3% of the market share in 2010, and handheld games have come down slightly from their 8.1% share. (Nordic Game Solutions 2011, 7.) Together the three current generation consoles generated 65 171 446€ in revenue, 32 942 354€ of which came from Playstation 3 games, 17 855 262€ which came from Xbox 360 games, and 14 373 830€ which came from Nintendo Wii’s games (Nordic Game Solutions 2011, 8-9).

Out of all the game genres sold in Finland in 2010, action adventure was the most popular, with 26% of the sold games. Other large genres included sports with 13.3% share, shooters with 11.2% share, RPG’s with 9.5% share, and racing games with 7.9% share. (Nordic Game Solutions 2011, 23.) As for the age limits of games sold in Nordic countries in 2010, which includes Finland, 37.6% of all the games sold had a PEGI mark of either 18 or 16, which means that the games are not suitable for people under those age limits. Games with a PEGI 3 sign were sold the most. (Nordic Game Solutions 2011, 21.)

When the 2010 video game sales of the Nordic countries are compared to one another, Finland comes in last out of all four in both volume of games sold, and revenue generated from games. The amount of games sold in Finland makes up 19.2% of all the sold games in the Nordic countries, which is not far off from Norway’s 19.7 and
Denmark’s 21.6%. However, Sweden has a clear lead on all other Nordic countries, with a share of 39.4% of all the sold games. (Nordic Game Solutions 2011, 5.)

While the video game sales in Finland have come down slightly over the last two years, digital sales have continued to grow (Saarenoja 2012). This is a common trend in many other countries as well, as the video game industry is increasingly switching to digital distribution. One reason for the decline in sales could be because the current console generation is at its end, and sales tend to be lower at the end of each console generations life cycle (Matthews 2012a). The physical game retail industry could see its sales continue to drop in the coming years, as digital sales become more popular, and especially if cloud gaming takes off. Physical retail stores will need to learn to adapt to the changing distribution methods if they wish to survive, such as GameStop has managed to do. (Attachment 16.)

4.2 Global video game retail industry

On a global scale, the video game industry is going through a downturn. In the past, the industry had been considered to be immune to the effects of recession, but the last three years have proven that notion wrong. (Suellentrop & Totilo 2012.) While there are no accurate figures on the size of the global video game industry, the research company Gartner estimated the 2011 worth of the industry to be $74 billion (Gartner Inc. 2011). Another older prediction, done by an investment banker from the banking firm Avista Partners predicted it to be worth $100 billion (French 2010). This estimate may be too high, as another estimate done by the market research company DFC Intelligence predicts that by 2017, the industry will become worth $82 billion (Gaudiosi 2012a). The total estimated sales for the three major consoles halfway through 2012 were 55 million units of Xbox 360, 50 million units of Playstation 3, and 86 million units of Wii (Baker 2011).

U.S. is the largest video game market in the world, as its people spent nearly $25 billion on video game products in 2011. This figure shows how the industry has grown over
the years, as the amount was about the same as the total global revenue of video game related products in 2004. (Agnello 2012a.) As in many other countries, video game sales in the US have not been what they once used to be. In November of this year, the sales were 11% lower than the previous year’s figures, according to the research company NPD (Lejacq 2012a). This is quite a common trend in the US for the past few years, as between January 2011 and July 2012, there were only three months when there was growth from the previous year’s sales (Matthews 2012a). 2008 was the last really strong year for US game sales and they have been dropping since then (NPD Group 2010).

![Figure 6. Digital video game sales in the United States 2009-2011 (Dumitrescu 2011a; Entertainment Software Association 2012a)](image)

While sales figures have been down across the globe, some people do not consider it a recession, but rather a shift to different kinds of business models. As traditional retail sales have gone through troubled times, digital purchases have continued to grow and new playing methods, such as mobile phone games, have emerged and captured some of the market share from traditional games. As seen in figure 6, the digital sales have gradually stolen market share form physical sales in the U.S. in recent years. As InvestorPlace’s financial journalist John Agnello points out, the industry is going through a transformation, and the video game recession is really just a migration (Agnello
Part of why video game sales seem low in the past years could also be because tracking digital sales can be difficult. For example, Valve does not release their digital Steam sales figures to the public, and while the research company NPD started recently including digital sales in their reports, they are not able to track all publishers’ digital sales (Harman 2011; Schink 2012)
5 Marketing strategy

Marketing management is seen as the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value (Keller & Kotler 2012, 27). When attempting to convey the value of the company to the consumers, it will need to attempt to do so through the four P’s, which make up the marketing mix (Keler & Kotler 2012, 47). This chapter will rely on the four P’s of the marketing mix in order to analyse the different marketing options, and also cover the target customers for video game retailer stores.

When developing the marketing strategy, it should focus on two different areas. The strategic marketing plan helps identify the target markets and the business’ value proposition, while the tactical marketing plan will specify the different tactics that will be used, such as promotion and pricing. These steps need to be planned, implemented, and eventually controlled. (Keller & Kotler 2012, 59.) The business must also evaluate the resources that it has available, and use them on marketing methods that will be most effective. As for evaluating which different marketing opportunities the business should focus on within the industry and outside of it, it should look into intensive growth, integrative growth, and diversification growth. Intensive growth consists of opportunities in the existing businesses, integrative growth is the backward, forward and horizontal integration within my industry, and diversification growth includes opportunities outside of the industry. (Keller & Kotler 2012, 65-66.) Diversification growth does not apply in this case as the business is new, and integrative growth is something that should be looked into during the second and third year of business. Therefore the sole focus will be on intensive growth, as the company should let the consumers now about its current services, and attempt to convey the value they gain from them.

The main focus of the store’s marketing strategy will be on its brand image, rather than its products. Therefore the store will need to focus on building brand equity for itself
through brand awareness, associations, and consistent reinforcement (Levy & Weitz 2009, 443-445). For brand awareness, the business will need to attempt to make consumer aware of itself and what it has to offer, and help them remember it when considering purchasing games. While marketing efforts help with brand awareness, the name and logo of the company will need to be carefully considered as well, as they can play a big role in helping with top-of mind awareness. Creating top-of mind awareness for as many consumers as possible through marketing efforts will be very important for the success of the company, as it means that the company will be the first thing that comes to their mind when wanting to buy games. (Levy & Weitz 2009, 444.) For brand association, consumers will no doubt associate the store with games, as long as they are aware of the company, but marketing efforts should also attempt to get them to associate the business’ services with low price, and easy and reliable service. One final association would be the location of the business, so that they would remember the business when they around the area where the business is located. Finally for consistent reinforcement, the business will need to consistently remind customers what the store has to offer, and why they should purchase from it rather than its competitors. While most of the marketing efforts will focus on the first two months of the stores existence, some of the marketing budget needs to be allocated for occasional advertisements throughout the year. Also free advertising options, such as social media, need to be utilized constantly.

When the marketing efforts have begun, it will also be important to attempt and identify how effective they are, adjust them based on these findings, and determine if the marketing budget needs to be increased or decreased. Finding out the return on investment will not be easy, as it can take a long time before all the effects of the marketing efforts start to show results. One way to attempt to get an estimate on what the return on investment is, is by creating a marketing metrics that helps evaluate the effectiveness of various measures, such as market awareness and cost per thousand page impressions. (Keller & Kotler 2012, 136.) Another possibility is to create a customer-performance scorecard, which will help identify how your company is doing in areas
such as customer satisfaction, customer perception and customer retention. It will also be important to set goals for the different measurements. (Keller & Kotler 2012, 138-139.) Finding out accurate results for whatever measurements that is monitored will not be easy, but the effectiveness can be gauged by monitoring sales after marketing campaigns, doing in store questionnaires, and monitoring the clicks and views of online advertisements.

As the company will be rather small, it will not have a very large marketing budget. Therefore it will have to find affordable marketing channels that focus on video game players in the Capital Region. The best way to do so, is to market through video game related media, as its followers are primarily video game players, although they may be from all around Finland. The primary marketing channel will be online marketing, as it should give the best chance of reaching the target customers. Internet has constantly grown in popularity, and it has become the most used media form in Finland (Hokkanen 2011). As the target customers are generally well aware of new video games, the main objective is to focus on marketing the new type of service that the business offers, rather than new games that come out. Focus will also be placed on new games that are included in the inventory, but the main emphasis of will be on the service itself.

Since the business will be located in central Helsinki, the store itself should also work as a great marketing tool, as long as it will be in a visible location. For determining the marketing budget, the size of the industry will be used as an evaluation point to find out what percentage of the revenue will be used on marketing. Based on the industry size and the company size, the marketing budget for this company should be around 5%-6% of its revenue (ImageWorks 2012). As the overall budget for the company is rather small, the actual amount allocated for marketing will be slightly lower than 5%. The size of the marketing budget will be 6,500€, which is a rather low amount, but should help make many gamers at least aware of the existence of the company. As the business is a completely new way of operating in the gaming retail market in Finland,
word of mouth should also help spread knowledge of it. For the second year of operations, the marketing budget will be determined by percentage-of-sales method, as the future sales can be predicted more accurately based on previous year's figures (Levy & Weitz 2009, 462).

5.1 Target market

There has not been a study on who would be the target customers for video game rental stores in Finland, but looking at the target customers of Finnish video game retail stores and video game player demographics in Finland should give a fairly accurate picture on who would also rent games in Finland. In the past, video game players have been mainly young males, and while they still represent the most enthusiastic video game players, the share of females and older gamers has grown in recent years.

Before actually starting the business, primary information needs to be gathered through market research to help identify the different market segments that exist in the game retail industry in Finland, after which the segment with the most potential needs to be chosen as the target market (Keller & Kotler 2012, 32). While information on video game players already exists, it would be beneficial to do more thorough research on what type of players would be more likely to rent a game rather than buy it, where can they be reached, and what type of games do they like to play. However, for now the secondary information that is available on video game players in Finland will have to do, and primary research can be done later on.

Among the online population of 16-64 year olds in Finland, 60% report that they play video games, and both genders are rather evenly represented, with males having a slight majority, according to a consumer study by Ipsos MediaCT (Ipsos MediaCT 2012, 4). Males between ages 35-44 represent the largest gaming group, and online games are the most popular gaming form, according to the same study (Ipsos MediaCT 2012, 5). Another study done by Nielsen in 2008 showed the average age of a Finnish gamers to be 32, with 25% of all males playing gamers compared to 13% of all females.
20 to 24 year olds had the largest percentage of gamers, with 43%, and 16 to 19 year olds coming in second with 38% of their age group. (Nielsen Games 2008, 20-21.) As far as gamer segments go, a 2012 European online game survey showed that gaming purists, or also known as core gamers, are mainly young male students, while casual gamers tend to be older than average and have a higher chance of being unemployed, occasional gamers tend to be under 30 year olds, old school gamers are the oldest, with the best education and employment situation, and community minded gamers are the youngest and have the lowest education level. The casual gamers make up the largest segment with a 43% representation, occasional gamers come second with 21%, core gamers third with 20%, old school gamers with 9%, and community minded gamers last with 7%. (i2 Media Research 2012, 3.)

In 2008, the most common amount of games purchased in a year by Finnish gamers is from one to three, which represents the purchases of 44% of Finnish gamers, with four to six purchases coming in second with a 38% representation (Nielsen Games 2008, 28). For the same year, PC and Playstation 2 were the most common gaming platforms, with the three current generation video game consoles coming in far behind (Nielsen Games 2008, 25). By now, the share of current generation consoles will have likely grown, while the use of Playstation 2 has most likely dropped. A more recent study done by Ipsos MediaCT shows that PCs and laptops are the most used platforms, while Playstation 3 has a slight edge over XBOX 360 and Nintendo Wii (Ipsos MediaCT 2012, 11). The most common purchase option is a new game, with 20% of respondents buying one, with online games coming in second with 10%, and used games third with 8% (Ipsos MediaCT 2012, 10).

Online gaming has a strong presence among Finnish gamers, as 79% report that they play games online (Ipsos MediaCT 2012, 12). The popularity of online gaming could prove somewhat problematic, as single player games with an ending are more ideal for game rental than open ended multiplayer games. Another possible problem from a rental perspective could be the amount of time spent on gaming in a week. According
to the 2008 Nielsen study, 56% of all European gamers spend less than one hour to five hours a week, while 42% spend somewhere between 6 and over fifteen hours a week (Nielsen Games 2008, 7). The people who spend from less than an hour to five hours are not ideal customers for a rental store, as they would have to rent a game for several weeks in order to pass it, and in such a scenario, it would be cheaper for them to buy the game. For these types of gamers, the store will need to attempt to market games that they can play for short periods of time, such as multiplayer games that they can play with their friends over the weekend. The 42% who play six to fifteen hours a week are the ideal customers, as they are able to complete a game in one or two weeks.

Even parents have taken on a larger role in video gaming, as 52% of parents have played games with their children. About one thirds of these gaming parents do so in order to observe what their children play. Among Finnish families, 67% of parents say that they have children who play video games. Ipsos MediaCT 2012, 5.) As parents play an important role in controlling what younger children can play, and also often taking the role of the decision maker or the buyer in the purchasing process, it is important to take them into consideration in the marketing efforts. While parents seem to play an important role for buying games for under ten year olds, the ages from ten to fifteen seems to be the age when children start to buy their own games, as two thirds of ten to fifteen year olds have purchased games, which is a significantly higher figure than that of the purchases of under ten year olds (Ipsos MediaCT 2012, 5).

When looking at these figures, it is important to remember that this takes into consideration all forms of gaming, such as the use of free online games. There are many older people who play Facebook games and increase the average age of a gamer, but they are not the type of people who would rent console games. For the purpose of identifying ideal customers, further research would need to be done to find out who are the people who purchase the most games, or in other words, who are the so called core gamers. The Nielsen and Ipsos MediaCT studies showed somewhat different figures for gamer demographics, and while the Nielsen study was older, it was more in line with
similar studies done about gamer demographics in other countries, and would therefore seem to be the more accurate description of gamer demographics in Finland. As an example of other countries demographics, a study done by US Entertainment Software Association shows the average age of gamers in the U.S. to be 30 years, and 53% of them are men (Entertainment Software Association 2012b, 2-3). Also, while the studies show that there are about as many men and women gamers, they do not show how often both genders purchase games.

Based on these studies, the marketing efforts should focus on the core gamer segment and the occasional gamer segment, as they make up 41% of all the gamers, and they are the more active users of games. This would mean that the marketing would have to focus mainly on younger gamers and under 30 year old gamers, with an emphasis on male gamers, and students. However, females and older gamers should not be forgotten, as they make up a large part of all players, even though they may not play as often. Further research should also be done in order to identify who are the 42% of gamers who play from six to over fifteen hours a week, as they are more likely to rent a game than the people who play five or less hours a week.

5.2 Product

Differentiating the company through the products that it sells will be difficult, as it will be selling the same products as the competitors are selling. Some more unique games can be added in to the inventory in an attempt to differentiate from competitors, but for the most part, the business will have a smaller offering of games than many of its competitors. The business will need to attempt to convey the value of its products with the different type of service that it will be offering, which is renting games instead of selling them, and convince that this type of service offers more value due to its lower cost. Therefore the store should position itself as the cheap and affordable option, and focus on the price of its products when advertising the games it has to offer.
The store cannot completely ignore the games that it offers, however, as consumers may not be aware of new games that the store has added to its inventory. When the store advertises its services, it should also include new games that have recently been included to the inventory, or ones that will soon be included in the inventory. While new games can be included in the store’s various advertisements, the main focus for advertising new games should be inside the store and on the storefront. Various posters and stands should inform customers of recently and soon to be released games when they approach and enter the store.

The store will have to have frequent brand touch points where they interact with their customers, in order to reinforce the association of cheap but quality products with the store brand and the products that it sells. Through these touch points, the store will attempt to shape its brand image in the consumer’s mind, and create high top-of mind awareness, so that it would be one of the stores that people think about when considering buying games. In order to have high top-of mind awareness, the store will have influence consumers through touch points along the stages of the purchasing funnel. The marketing firm o2o interactive lists the different stages of the funnel as creating awareness, consideration, transaction, loyalty, and finally advocacy (Ellis 2012). As the funnel suggests, creating awareness will be important to make consumers aware of the store, but marketing efforts need to also focus making customers satisfied after the purchase, so that they will become loyal customers who do repeat purchases, and spread good word of mouth that will influence the purchasing decisions of future customers. One loyalty building method that should help with repeat transactions, is offering the customers a loyalty program that rewards them with discounts when they do a certain amount of purchases. The store should also focus on providing good customer service, as this can also help build further loyalty among the store’s customers.

5.3 Promotion

The store will need to use various discounts and offers to try and attract people to rent games, especially in the beginning when the company is new and it will need to con-
vince people to give it a try. Besides attracting new customers, promotions serve many different purposes. According to Terence A. Shimp, promotion has several different benefits, such as its ability to motivate the sales force, help prevent the competitors from stealing existing customers, help introduce new products, promote trials from new customers, reward old customers, increase repeat purchases, increase the customer database, and improve the store's brand (Shimp 2010, 483-484). Some promotions that the store will use are coupons that can be distributed through magazines or online, various competitions and games, discounts for games, continuity programs, and bonus packs. In addition to magazines, these promotions can be advertised through Facebook, on game related websites, on the store's own website, inside the store, and any other forms of media. The store's visibility should also be taken advantage of in the promoting efforts, such as using signs outside of the store.

For coupons, the store can offer simple discounts that will encourage people to come to the store, or offers that give a discount or free rental for a game when a customer rents a full priced game. A limited amount of them could be given for free on the store’s Facebook page, as long as it manages to attract enough fans. Another great way to increase awareness would be to sell discount coupons on sites that offer deals, such as Kimppadiili, Facediili, or Groupon. As for sampling, the store could offer a few day free rentals for a limited amount of time for new customers, or to a certain amount of first time customers. This would be most effective when the store has first started operating, as it would be a good way to increase customer awareness for the store, encourage people to give it a try, and hopefully spread positive word of mouth among gamers. Games and competitions could be organized in the form of a simple lottery, or some type of quiz, and the winner could win some store credit, or some game related accessory. As for bonus packs, the store could have offers that give a second rental for a discount or free of charge, or give some type of small gift when a game is rented. As for rewarding existing customers’ loyalty, the store could have a continuity program that gives every tenth rental for free or for half price.
There are many different types of channels that the store can use for their advertising. Marketing through video game related websites may be the best marketing option, as many video game players search information about video games online, and are active in video game communities. These websites usually offer typical banners and other marketing options through their websites, which offer a great opportunity to increase visibility. One such website is Konsolifin.net, which is the biggest video gaming related website in Finland, according to the web analytics company Alexa (Alexa 2012). Konsolifin.net is a web community that is maintained through a community effort, and it has been operating since 2000. Their website operates primarily as a discussion forum for gamers, and it is divided into five sections. This consists of three sections for the major console developers, and also a media and family section. In addition to this, they also offer game reviews and other video game related information, such as articles on game related matters. (Konsolifin 2012.)

According to their website, they average 40,000 unique visitors each month, of which 44% own a current generation console, and the most common customer out of these is a 23 year old man who is a very dedicated gamer and user of consumer electronics. When marketing through Konsolifin.net, it costs 680€ to buy a large banner on their website for a week, 260€ to buy a regular banner for a week, and 510€ to buy a large advertisement, which appears on the sides of their website. They also offer interstitial advertisement, which is an advertisement page that opens before you are able to enter their site, and you need to request its price separately. (Konsolifin 2012.) While the website does not list the price of the interstitial advertisement, it is likely their most expensive option due to its visibility.

Some other popular video game related websites are Peliplaneetta.net, Livegamers.info, Tilt.tv, and Pelit.fi. These websites are structured in a very similar manner as Konsolifin.net, with only some slight differences. Their visitors are also primarily young men, mainly between the ages of 20 to 29. Most of these websites list their prices differently.
though, as they primarily have prices based on a thousand views, rather than weekly costs. (Attachment 24.)

Newspapers and magazines are another good marketing channel, as there are several video game related magazines in Finland that are good at targeting video game players. While game magazines do a good job at targeting potential customers, the amount of magazine readers has been going down in recent years (Alma Media Suomi Oy 2012). This likely applies for video game magazines as well, as magazines in general are slowly becoming obsolete. Some of the marketing efforts should be focused on video game magazines though, but as they are not as relevant as they once were, not as much money will be allocated for them as online advertising. There are several different video game magazines sold in Finland, many of which are published by foreign companies.

Pelit magazine is a popular Finnish magazine published by Sanoma Magazine 12 times a year (Sanoma Magazines Finland Oy 2012c). The magazine has been published in Finland for 20 years already, and they currently have 128,000 readers. 83% of their readers are men, and 33% of the readers are from 20 to 29 year olds, which is their biggest age group. 24% of them live in the Greater Helsinki region, and 50% of their readers are students. Some examples of their advertising costs are 3,300€ for a one page ad, 1,800€ for a ¼ page ad, 5670€ for a central fold ad, and 3960€ for the back page ad. (Sanoma Magazines Finland Oy 2012d.) Some other video game magazines are Pelaaja lehti and WOW magazine, and free magazines such as Game Reactor and Pelaa. Their readers are also primarily young men, and their advertising prices do not differ much from Pelit magazine. (Attachment 25.) There are also magazines that include video game related information, such as computer and movie magazines. Foreign video game magazines also have a strong presence in Finland, but as they are distributed in several different countries, their advertising costs are likely higher than the Finnish magazines’ costs.
Television advertising is another effective, but expensive advertising option. Due to its cost, the best option is to identify the programs that attract the business’ target audience. In the case of a video rental store, those shows would be ones that focus on various video games. The best known video game related television show in Finland is Tilt.tv. They began airing their show in 1997 on MTV3, and have since also started their own video game related website, and briefly distributed their own video game magazine. Today Tilt.tv is aired on the television channel JIM, and also on JIM’s website (Jim 2012). Tilt also had their own video game stores that were operated by Pelaa- jan Pelikauppa Oy, but they went bankrupt in 2011 (Kauppalehti 2012). If the store decided to advertise through television advertisements, the best option would be to do a regional advertisement on Tilt’s commercial breaks. Unfortunately regional advertising is not possible on Tilt.tv, as Nelonen Media does not do regional advertising on their JIM channel. However, it is possible to buy advertisements for specific shows, but the cost for each show is not specified. (Sanoma Entertainment Finland Oy 2012.)

Nelonen Media also has advertisement options that target different groups based on the target audience’s age group. The cost for 15-34 year olds would be 45,00€ per a thousand views. (Sanoma Entertainment Finland Oy 2012.) The amount of viewers Tilt.tv usually gets is not available, but JIM channel had an average of 387,000 weekly viewers and 5,3% of daily television views among 10-24 year olds between January to November in 2012. Their numbers among the same time period for 25-44 year olds was higher, with 803,000 average weekly viewers, and 5,2% of all daily television views. Their 10th most viewed show in November 2012 had 64,000 weekly views on average. (Finnpanel Oy 2012a.) Tilt.tv falls somewhere behind this, and assuming that they would have weekly views of about 20,000 and that their program specific advertisements are priced close to the 45,00€ per thousand views, the total weekly cost would be around 900€. This is just an estimate of the cost, but it gives a rough idea of what it might be, and the exact fee can be had when purchasing the advertisements from Nelonen Media. In addition to Tilt.tv, there is another game program called
Score which is shown on channel Kutonen, but it is not as popular as Tilt.tv (Attachment 26).

Another more affordable, but less effective marketing channel, is social media. It has grown into an important marketing channel in Finland, as it is the country’s third most used marketing channel, with the daily average usage being about an hour. Out of its users, 15-24 year olds are the most active. (Helsingin Sanomat 2012.) This makes social media an ideal marketing option for a video game rental store, as very many video game players fall into this same age group. According to a McKinley analysis of social media, it is great for monitoring things such as brand strength, responding to issues such as customer queries or negative publicity, amplifying issues such as positive recommendations, and leading in issues such as brand awareness or new deals (Divol, Edelman & Sarrazin 2012).

Social media will be used when advertising the store, as it is a cheap way to raise awareness for the business. Even though advertising though social media does create monetary cost, it can cost a business in other ways, as social media can cause more harm than good when not done properly. In a study ordered by Finnish insurance companies, over half of the surveyed companies executives believed that social media rumors were harmful for the company’s reputation, and even more so than unsatisfied customers (Helsinki Times 2012). This may be the biggest risk with social media, as it gives unhappy customers a platform to voice their negative thoughts about the company. The company should be able to avoid any major problems with social media as long as the its pages are monitored and updated frequently, they offer interesting content that provides value to the customers, and respond to customer’s queries in a timely and appropriate manner. Also, while maintaining a social media presence will not have any monetary cost, it can take up a lot of work time when done properly. According to a study done by strategy firm Hill + Knowlton, working on a Facebook page with 1000 fans for an hour will result in 14 wall post likes, 1 comment like, 1 wall post, and 2 wall posts (Hillton + Knowlton Strategies 2012). This is not a lot of attention
from a page with as many as a thousand fans, and even gaining so many fans will require a lot of effort.

Facebook is by far the largest social media platform used by large companies in Finland (Capgemini 2012). It is also the most popular social media platform among all Finns, according to social media analysis company Socialbakers, as slightly over 40% of all Finns have an account, and 13-34 year olds make up nearly 40% of these users (Socialbakers 2012). As Facebook is widely used in Finland, it will be important for the business to have a Facebook page and attempt to attract customers to follow it. The business can use it for telling about new deals and offers, new games that have arrived to the store, any kinds of competitions that the store may have, and to communicate with the customers in any questions that they may have. Mainly it will serve as a tool to inform about the business to its existing customers, and to improve customer relationships. Facebook users in Finland tend to be more active in the morning and evening, as the most active hours are at 10:00 in the morning and 20:00 in the evening, according to the Hill + Knowlton’s research (Hillton + Knowlton Strategies 2012). As a result, the workers may have to work on the company’s Facebook page outside of work hours, and stay active with updates in order to keep the followers interested.

Twitter has far fewer users in Finland than Facebook, and therefore is not nearly as important for marketing purposes (Capgemini 2012). The method of communicating on Twitter is also not as well suited for the business’ marketing, as it has restrictions on its individual message sizes. It may be more suitable for large companies, but not necessarily very relevant for smaller companies such as a video game rental store. Most Twitter users have a Facebook profile, making the upkeep of both a Facebook and Twitter page somewhat redundant. LinkedIn, Youtube, and a blog account are also somewhat redundant for a small business, unless the store could come up with a creative viral marketing campaign on Youtube. LinkedIn should be used for networking purposes though. Blogs especially are seldom used by Finnish companies, as in 2008, Nokia was one of the very few large companies that had a blog (Korhonen 2008).
Another marketing channel, which allow the store to have more personal communication with customers, are expos and various events. There are two major video game related events held in the capital region that are ideal for this purpose. The first is DigiExpo, which is a yearly held consumer electronics focused expo in Messukeskus. The other is Assembly, which is an event aimed at video game players and computer users.

DigiExpo is the best expo for the company’s marketing purposes, as it allows companies to rent stands and showcase their products at the event. While the gaming section is only a small part of all the different types of consumer electronic sections at the expo, many gamers visit the expo over the weekend when it is held. In their 2012 event, they had 61,000 visitors, which was lower than the previous year’s 68,000 visitors (Kärkkäinen 2012). If the store were to rent a space from the expo, the smallest available space would be suitable. The cost of it would include a 350€ registering fee, and the cheapest space rental would cost 104€/square meter (Finnexpo 2012a). As the smallest area is 12 square meters large the area rent for it would be 1,248€ (Finnexpo 2012b). This does not include the cost of all the equipment that is rented out for the area, the price of which is not specified on their website, but the total cost of renting the smallest space for the weekend would most likely be around 2000€ or a bit above that figure. The price could be worth it, as it would bring a lot of visibility for a new company, and would give a chance to try and attract new customers.

Assembly is held twice a year in the Capital Region. It was held in Hartwall Areena and Kaapeliehdas in 2012 (Assembly Organizing 2012a; Assembly Organizing 2012b). As assembly focuses mainly on computer game players, and is an event where players can gather and play games, it may not be as ideal for marketing purposes as DigiExpo is. Most people at the event will focus on playing games, rather than walking around and looking at companies’ stands. While the event focuses on PC games, several computer
game players also are interested in console games, which is why it could be worth advertising also at Assembly.

Search engine optimization is another way to promote the store's name. It will be important that people will be able to find the business’ website and social media sites when searching for it online. As Google is by far the most used search engine, the store’s sites should show up fairly high on it when searching with the store’s name as a search word. Generally Google is very accurate when searching for specific words, so people should be able to find the business when searching for it by its name. However, the store could hire the services of a marketing firm to improve its search ranking when searching for certain Finnish words or phrases, such as video games or video game renting. There are several marketing firms that offer such services in Finland whose services could be hired if the company would wish to invest money in search engine optimization. While being high on several different video game related search results would be ideal, it is a luxury that would likely not fit in the store’s marketing budget during the first year of operation, but something that is worth considering if the company expands its operations.

5.4 Place

For marketing purposes and the success of the business, it is important to pick an ideal location for the business, as it could be the difference between being successful and not making it. The business should try to find a small store that is in a visible place, sees a lot of foot traffic, and does not have too high of a rent. While a location that has all these aspects would be ideal, it will be unlikely that such a store will be found, and most likely either the price, or the location needs to be compromised on.

The choice regarding the location of the store can have long lasting effects for the business, and if chosen wisely, it can become a competitive advantage over the competitors. When choosing the location, it is important to consider what factors are likely to influence the success of a business, and then choosing a location that is the most likely to fulfill these factors. (Scarborough & Zimmerer 2008, 515.) According to Levy
and Weitz, the main factors to take into consideration when choosing a location are the economic conditions of the area, level of competition, operating costs, and its strategic fit for your company (Levy & Weitz 2009, 218-220). Helsinki would be the city that is the best place to locate the store, based on these criteria. The city has a lot of potential customers because of its high population density, it has a good economy, and offers easy accessibility. On the downside, the rental costs in Central Helsinki tend to be fairly high when compared to many other cities, and many other competitors already are located in the area. Customers will be the main deciding force behind the location, as the store does not need to consider its suppliers or transportation costs when deciding the location. The rental cost is another major factor to take into consideration, as there can be quite big differences in rental costs between various locations in Helsinki.

A good store layout is also important, as it will make sure that the business operates efficiently and is able to maximize its sales (Scarborough & Zimmerer 2008, 541-542). The displays where the games are kept should be simple and clean, and the games on display should be changed frequently in order to keep customers interested. According to research done by Shoppercentric, men usually prefer to make the shopping experience as fast and simple as possible. They also prefer easy accessibility to products, and a more laid back atmosphere. (Hardie 2012.) As men are the target gender for video game retailers, the store should attempt to make the shopping experience very fast and easy by having all products clearly visible and properly labeled, so that the products can be easily found.

The store should also focus on its atmospherics, such as lighting and scents, as they can improve employee productivity and increase sales (Scarborough & Zimmerer 2008, 546). Other atmospherics to take into consideration are music played in the store and the colour of the store (Levy & Weitz 2009, 531). The colors that will be used in the store and also in the store logo will be red, blue and black. These colors usually attract impulse buyers (T-Cuento 2012). The store also should pay attention to its outside ap-
pearance by having a clean and noticeable storefront. For example, adding a sales sign to the window will make 52% of consumers more likely to enter the store, and yellow is the ideal colour for attracting attention in window displays (T-Cuento 2012). Bright colours such as red should not have too large of a role in the overall color scheme though, as they can irritate customers when they are used in large quantities. The colors that the store uses can play an important role in creating brand awareness, as a 2007 study by researchers at the University of Loyola showed that brand recognition can be increased by 80% with the help of colors. (Porter 2012.)

Scent can also play an important role in buying behavior, as shown by Nike when their research showed that people’s intent to buy increased by 80% when they added scents to their stores (The Independent 2011). Studies done in the Smell & Taste Treatment and Research Foundation in Chicago showed that not only are people more willing to buy products, they are also more willing to spend more money as well (Crowe 2011). Since the store is rather small, a diffuser should be enough to create a scent throughout the store, without being too strong. A scent which is preferable for men will be used, as they are the target consumers. Once an appropriate scent has been decided, the store should stick with it in order to help create brand recognition with the help of a scent. The store should also be well lit, and brighter light can be used to focus on new games. As for music, fast paced songs and youthful songs would be the best option. Fast paced music has shown to increase shopping speed at least in supermarket shoppers, without reducing the amount they spend (Lubin 2011). Research has shown that people evaluate stores more positively when fast paced music is played and there are not many people in the store (Niehaus 2013).

While atmospherics and store layout play an important role in sales, they mainly influence people’s buying behaviour when they are already near the store, but the store location can influence whether people want to travel to the area in the first place. The Kamppi region would be an ideal location, as a lot of commuters from Espoo travel through the area, and the stores in the area attract a lot of people to the region from far
away. The problem with trying to rent a store from the area though, is that there are rarely any available and suitable stores for rent. Even if a suitable store was found from the area, the rent for it may be too high for such a small business. Currently there are very few stores for rent in the area. One possibility would be a store in the Forum shopping center. It has a size of 29m2, is located in the third floor of Forum, has a rent of 2030€/month, and would be available in the 2013 (Intermediator 2012). Forum is the fourth most popular shopping center in the Capital Region, with 13,6 million visitors in 2011 and it should become even more popular in the future, as the building will get expanded by 2015 (Forum 2012; Massinen 2012).

Opening a store in Forum would be a great marketing tool and ensure that several people will find out about the service, which may not happen if the store is located somewhere outside of the central Helsinki region. Also, Forum does not have any other game stores in it, so there is no other competition inside the building. Location wise, Forum would be ideal. However, the rental cost would be very high for a small business, and making a profit with such a high cost would be very hard. The store may also have a hard time getting a rental space from Forum, as shopping centres are usually careful with what type of mix of stores they have in their premises, and a video rental store may not be what they are looking for. The shopping centre may also be hesitant to accept a store that is just starting its operations.

For a small business, it may be better to narrow the store search on more affordable areas that are not too far from Kamppi, such as the surrounding areas of central Helsinki. Both Töölö and Kallio are such areas, as they are not too far away, and have several places for rent that would be ideal in size. The store size should ideally be somewhere from 30m2 to 50m2. An example of store price would be a cheap monthly rent of 475€ for a 20m2 store in Kallio (Oikotie 2012a). Another example would be 800€ for a 31m2 sized store in Töölö (Oikotie 2012b). The rent in these areas would be much cheaper than what it is in Forum, but people may not be willing to travel there from further away, and they would most likely attract mainly people who live in the
vicinity of the store. However, as the rental costs for the stores in the very central Helsinki are too high, the store will have to be located in a slightly more remote location, and attempt to attract people there through marketing efforts. Both Töölö and Kallio have good public transport access, so customers should not have a too hard time to get there.

5.5 Pricing strategy

When deciding a pricing strategy, it is important to consider the image you want to give out to the customers, what your competitors charge, and how much value your product has in the eyes of the consumers (Scarborough & Zimmerer 2008, 357). There are also many other smaller factors, such as the company’s costs, how much demand the product has, the state of the economy, how price sensitive the customers are, the location of the company, seasonal demand, and discounts (Scarborough & Zimmerer 2008, 361). The rental store’s pricing strategy will position itself as the affordable and cheap option to buy games from. Its products will be lower cost, which is often associated with lower quality, but that does not apply in this case as the games are the same ones as the competitors are selling. Since the game retailers all sell nearly the same products, it is difficult to differentiate through the quality of merchandize, and the main factor influencing where people decide to buy their products is the price they can get the product for, and how convenient the shopping process is. This bodes well for the success of a video game retail store, as its products’ initial price is cheaper than the competitors’ products.

Video games tend to have relatively elastic demand, as the demand for a store’s games tends to be sensitive to price changes. This is mainly because if one store has high prices for games, there are several substitute stores that a consumer can go to in the Capital Region. There are also many places to order from online, and comparing a specific game’s price online is fairly easy. As the cost of a new game is rather high at around 70€, many consumers will do some research as to which stores have lower prices, rather than doing an impulse purchase. A straight comparison cannot be done between
games that are sold at regular stores and ones that are rented however, as the initial price of a rental game can be initially much lower than that of a regular game, but it can end up being more if the player takes a long time to complete the game.

The pricing strategy that the store will use is similar as the pricing method that R-Kioski had when they used to offer game rentals. Their pricing method included a higher fee for the first rental day, and then a lower fee for any following days (Pelaaja 2006). The store’s first day rental fee would be 3€, and following days would be 2,5€. The customer will pay according to how long they plan on renting a game, and if a game is returned late, the late charge for each day is the cost of a one day rental fee. If a game goes missing or breaks down, the customer will be responsible for paying a 70€ fee, which is the price of a new game sold in stores. With this pricing strategy, the store will attempt to associate the store’s brand with affordable but quality products. As video games are well known products, consumers should not associate the low game prices with lower quality.
6 Projected financial plan

Creating a projected financial plan is important for a small business owner, as it helps them realise what sales levels need to be achieved in order to make a profit, and transform the plan into reality. It is important that the plan is realistic, and owner needs to be able to justify how they got the figures. As a starting business has no previous history that they can base their estimations on, they need to look at other similar sized companies in their industry in order to get an idea of what to expect, and base their pro forma financial statement on this. As many businesses do not generate profit in their first year of operation, it is important to make sure the company has enough capital to keep the operations running, and the pro forma financial plan will help realize how much money the business needs to acquire before starting its operations. (Scarborough & Zimmerer 2008, 389.)

When planning the financial forecasts figures, an owner has the option of either creating a sales forecast, or then deciding a profit target. With the profit target, the owner needs to figure out how many sales need to be done in order to reach the target. (Scarborough & Zimmerer 2008, 390.) In this company’s case creating a profit target would be appropriate, as there are no comparable video game rental stores that could be compared to when attempting to evaluate future sales. Since the store will ideally attempt to break-even, the financial plan will determine what type of sales figures need to be achieved to do so, and weather it is realistic to achieve the sales levels that are required to break-even. While breaking-even would be the ideal scenario, the goal for the first year is not to lose more than 10,000€.
Table 3. First year estimated costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Games</td>
<td>30 000 €</td>
</tr>
<tr>
<td>Marketing</td>
<td>6 500 €</td>
</tr>
<tr>
<td>Rent</td>
<td>6 000 €</td>
</tr>
<tr>
<td>Store shelves &amp; racks</td>
<td>2 000 €</td>
</tr>
<tr>
<td>Storage shelves</td>
<td>250 €</td>
</tr>
<tr>
<td>Office supplies</td>
<td>30 €</td>
</tr>
<tr>
<td>Advertisement stand</td>
<td>90 €</td>
</tr>
<tr>
<td>Accounting &amp; CRM software</td>
<td>500 €</td>
</tr>
<tr>
<td>Webpage</td>
<td>215 €</td>
</tr>
<tr>
<td>Computer</td>
<td>600 €</td>
</tr>
<tr>
<td>Cash register</td>
<td>300 €</td>
</tr>
<tr>
<td>Payment terminal</td>
<td>525 €</td>
</tr>
<tr>
<td>Employee wages</td>
<td>6 262 €</td>
</tr>
<tr>
<td>Additional employee costs</td>
<td>1 879 €</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>55 151 €</strong></td>
</tr>
</tbody>
</table>

The total estimated costs for the first year of operation would be 55,151€, as seen in table 3. While the 55,151€ figure is a rough estimate on all the costs that would need to be paid during the first year of operation, it gives an indication on how much capital is required, and what sales figures need to be reached in order to break-even. With the store’s pricing plan, consumers who rent for a week would spend 18€ on a game, which would equal to 13,68€ after value added tax. With this 13,68€ per week revenue on a game, consumers would need to do 4,031 weekly rentals in a year to break even. This would amount to about 77 one week rentals each week, and 11 rentals each day. Reaching this amount is unlikely to happen, and the store would most likely make a loss during the first year. One of the goals was not to lose more than 10,000€ during the first year, which would mean that the store would need to sell 62 week long rentals each week, which would be about 9 rentals each day. As the store will have a somewhat smaller inventory in the beginning and would not be very well known, it may prove difficult to reach this goal.
Table 4. Second year estimated costs

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Games</td>
<td>20 000 €</td>
</tr>
<tr>
<td>Marketing</td>
<td>7 500 €</td>
</tr>
<tr>
<td>Rent</td>
<td>6 000 €</td>
</tr>
<tr>
<td>Accounting &amp; CRM software</td>
<td>500 €</td>
</tr>
<tr>
<td>Webpage</td>
<td>215 €</td>
</tr>
<tr>
<td>Employee wages</td>
<td>6 262 €</td>
</tr>
<tr>
<td>Additional employee costs</td>
<td>1 879 €</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>41 356 €</strong></td>
</tr>
</tbody>
</table>

During the second year, the costs would drop considerably as shown in table 4, as the store would not need to buy as many fixed assets. In order to break even during the second year of operations, the store would need to have 3,023 week long rentals in a year and 58 week long rentals each week. This would amount to 8 rentals each day to break-even. The second year of operation would have a much better chance of turning profitable, as the costs of running the business would be much lower, and the business should be more widely known. The inventory size would have increased as well, which should help make the store more enticing for consumers. In order to reach the second year objective of making 15,000€ in profit, the store would need to reach 79 week long rentals each week, and 12 rentals each day. This could be doable, but it may prove challenging.

The profit margins for the business would not be very large during the first two years. The store would most likely make a loss during the first year and a moderate profit during the second year, but overall it would likely not make very much money. These calculations did not take into account any grants that could be applied for, which would help with the financial burden of running the business. One example of such a grant would be the start-up grant from the employment offices (Ministry of Employment and the Economy 2012). If the first two years of operation show that there is an interest in this type of service, the business could move to a larger store and increase its inventory considerably. This would increase the costs of running the business by a large margin, but it should also help increase the revenue, especially since the business
will have already managed to make consumers aware of its services, and would have a better idea of what type of games the consumers will want to play.
7 Conclusions and recommendations

7.1 Final conclusions

The store would require a fairly high investment when starting operations, and as it would take a long time before the initial investment has been gained back. The variable costs with this type of business concept are low, but fixed costs are fairly high. Therefore the store would need to acquire a rather large loan to start operating and keep things operational, and getting that loan may prove to be problematic. The first two years would be difficult, as the overall profit would likely be very low, and the amount of work required would be rather high. The third year of operations should be more profitable, but even then, the profit margins are unlikely to be very high.

Video games are a popular form of entertainment in Finland, and video game rental would no doubt be a service that would interest many people, as it would offer the same product as retailers are selling, but at limited costs. The concept of video game rental has proven successful in many other countries, but generally these are ones that operate in countries with much higher population densities. In order to stay profitable, the store would have to rent a fairly large volume of games each week, and this may prove difficult to achieve. As the business would require a somewhat large investment and a lot of effort, but offers very uncertain prospects and not very promising profit margins, it would be quite a risky investment.

As the business’ budget would be somewhat limited, the store would not be able to offer a very large selection of games, and while my store would be in central Helsinki, it would not be in a very central location. As such, people may not be willing to travel in search of the store, and many people would rather choose a more comfortable option, while some of the more frugal gamers may be willing to do the longer journey. Besides some customers who may travel from a bit further, most of the clientele would most likely be people who live in the vicinity of the store. The concept may work better for a larger firm that operates from many stores that are in more central locations.
Such a company would also be able to order games in much larger bulks, and thus should be able to negotiate much more affordable prices for their games. Their marketing efforts would also be more efficient, and thus they would be able to better compete with other larger companies that exist in the market, such as GameStop.

As it stands, it seems that it is not worth the effort to operate a store that gains its profits solely from video game rentals. It may be able to generate profit, especially if it manages to survive past its first two years, but the levels of profit would most likely remain small. As the store owner would be forced to work very hard and long hours, it does not seem like it would be worth the effort, especially since he or she would be able to earn as much or even more when employed by someone else.

Even if the store would be able to become profitable, the business model faces some serious threats in the long run, as digital downloads continue to take away sales from the sale of physical games, and cloud gaming poses a very big risk. Other forms of gaming have also emerged, such as mobile gaming, which compete for consumer’s disposable income. Finally, actions taken by publishers and potentially console manufacturers in the fight against used game sales could be very harmful for this type of business concept. If one or all of the console manufacturers were to implement some type of technology that prevents used games from being played on several different consoles, it would destroy the video rental business for console games.

While a video rental business that gains its revenue solely from video game rentals may not be profitable, one that has a slightly modified concept could prove to be more successful. If other products were included along with movie rentals, together they may make the profits large enough to make operating the business worthwhile. This would also require a larger investment, and thus also a larger risk. Some example products that could be added would be movie rentals, the sale of video game accessories, and things to eat and drink. Another thing to consider would be a different distribution method. Instead of operating from a retail outlet, the store could operate online, using
the mail to deliver games to consumers. This would not limit the client base to a certain geographic region, but instead would allow games to be shipped throughout Finland. This has been tried before in Finland, but the company that did it had a very limited game selection and did not invest much in marketing. Another concept that has been used in the United States is the use of small vending machines, where games could be rented from. They could be placed in several locations throughout Finland, such as shopping malls, and the rent costs would remain small.

7.2 Further research ideas

If someone were to further pursue the concept of a video rental store, they should do market research on the types of people that would be interested in such a service. In addition to finding out who these people are, the research should focus on identifying the game types that they would prefer, the ideal cost that they would be willing to pay for game rentals, which marketing efforts would be most effective in reaching them, where do they live, and what store location would be ideal for them.

Further research should also focus on the profitability of different types of business concepts for video game retail companies, and not just video game rental stores that operate through a physical retail location. This would include the online game rental concept that sends games through the postal service, a store that has a mixed assortment of products along with video game rentals, and the profitability of video game rental vending machines.

Further research could also be done on the interest in other types of game types, such as handheld games and PC games, and whether it would be profitable to include them in the inventory. Once all the next generation consoles have come out, research could be also done to identify how popular each of them is, and determine at what point it would be ideal to shift the focus from the old consoles’ games to the next generation consoles’ games. If a video rental store is established in Finland at some point, the effectiveness of possible loyalty programs for it could be studied, the effectiveness of its
marketing efforts, how to improve customer and employee satisfaction, and what areas in Finland would be ideal for it to expand to.
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In 2012, the Finnish economic growth has decelerated, after going through two stronger growth years in 2010 and 2011. While the economy is going through a bit of a slump, it is still far away from the abysmal levels of 2009, when the country was still dealing with the economic crisis. (International Monetary Fund 2012a, 38.) In August 2012, Finland’s Minister of Finance warned that Finland’s economic growth may be around 0% for 2012, largely due to the Euro Zone debt crisis (Taloussanomat 2012a). It would seem that this prediction was fairly accurate, as now that the year is coming to an end, and estimates on the economic growth are starting to emerge. Nordea expects Finland’s GDP growth for 2012 to be -0.5%, and Handelsbanken has a more positive expectation of 0.8% growth (Nordea 2011; Taloussanomat 2012b).

While the Finnish economy may not be very strong at the moment, there are also some positive signs, especially when looking from the perspective of a business that will focus only on domestic sales, and will not rely on exports. Retail trade, which is largely supported by supermarkets in Finland, has seen substantial growth over the previous 15 years (Invest in Finland 2012a). The retail sector seems to be in good shape in 2012 as well, as the sector sales in October had grown by 3.8% from previous years figures (Statistics Finland 2012a). Also the value of retail sales had grown for the same time period (Invest in Finland 2012b). While retail trade is doing well for the most part, there are some alarming signs, as the confidence level for the sector lowered in July. This was due to the deceleration of the growth rate, which has also led to lowered expectations for future sales. (Confederation of Finnish Industries 2012.)

According to IMF, Finland’s unemployment rate is currently at about 7.7%, which is a slight improvement from its 2010 rate of 8.4%. Also domestic demand, private consumption and public consumption have all shown positive trends, as they have all kept
on growing after 2009. Private consumption has had the largest growth in 2012, with a 3.3% growth rate. Domestic demand and public consumption both had a more modest growth rate of 0.6%, after a stronger year in 2011. (International Monetary Fund 2012a, 38.) Statistics Finland estimates Finland’s unemployment rate to be a bit lower, with a rate of 7.3% in November of 2012 (Taloussanomat 2012c).

However, consumer confidence in the economy has declined, as it is close to zero now that the year is coming to an end. In the first half of 2012 the indicator grew steadily, but declined in the second half of 2012, and showed slight growth again at the end of the year. The consumer confidence indicator has declined quite a bit from the second half of 2010, when it was at over twenty, but it is still better than what it was at the worst point of the economic crisis at the end of 2008, when the indicator was around -10. (Statistics Finland 2012b.) Consumer confidence often gives an indication of how consumers are going to spend, as when the confidence level is low, people tend to spend less money. The current confidence level is far from ideal, and it could have some negative effects on how consumers will spend their money in 2013.

The household saving rate has lowered over the last few years, as it currently is at 1.7% of the disposable household income, whereas in 2010 it was still at 3.3%, according to OECD (OECD 2012). This is a good sign, as consumers are spending more of their disposable income. While Finns may be spending more of their money, their purchasing power is not doing very well. Finland’s inflation rate has been growing in recent years, and according to a Statistics Finland’s development manager, the inflation rate will continue to grow, which together with slow salary growth, will result in a slow purchasing power growth (Tilastokeskus 2012a). Finland’s inflation rate for November 2012 was 2.2% (Valtioneuvoston Kanslia 2012).

Since the business will operate in the Capital Region, it is also important to have a look at how the economy is doing in that area. Uusimaa, the region where the store will be located, is the region with the second highest disposable income in Finland (Ti-
The role of the Helsinki Region in Finland’s economy has also continued to grow, as the Helsinki Region now produces about one third of Finland’s GDP (YLE 2012). As Helsinki and its surrounding area have a strong economy and a large population, it is the most ideal location to place the business in Finland.

Figure 7. Finland’s yearly GDP growth rate and future predictions (Aamulehti 2012; LähiTapiola 2012; MTV 3 2012; Taloussanomat 2012; Tilastokeskus 2010; Turun Sanomat 2012)

There are some varying opinions on how the economy will continue to develop in 2013, but for the most part, the predictions believe in a very small GDP growth. A few of these predictions can be seen in figure 7, which shows the growth rate of Finland’s GDP in percentages, and also some future predictions by three different banks. Still earlier in 2013, the predictions were more positive, but as the year has to come to an end, many of these predictions have been lowered. In May, Handelsbanken predicted that Finland’s GDP growth for 2013 would be a moderate 2,5%, but they lowered their expectations to a growth of 1,7%, which still remained positive (Handelsbanken 2012, 11; Kansalliskustannus Oy 2012). Nordea also had somewhat similar expectations for Finland’s economic growth, as in March they still predicted a 2% growth for
2013, but lowered their estimate to 1.5% by the end of the year (Nordea 2011; Nordea 2012e).

These were some of the more positive predictions for Finland’s economy in 2013. Danske Bank expects Finland’s GDP growth to be 0.5% in 2013, and Finland’s Ministry of Finance expects also a growth of 0.5% (Pohjanpalo 2012; Valtiovarainministeriö 2012). Bank of Finland has also a similar prediction, with a GDP growth estimate of 0.4% (Bank of Finland 2012, 7). The most negative prediction comes from LähiTapiola, as they expect the growth to remain the same as the previous year, with a 0% GDP growth (Hurmerinta 2012).

While 2013 may not be a very strong year for Finland’s economy, it should start improving in 2014. Most expectations place Finland’s GDP growth for 2014 at around 2% growth, such as the Ministry of Finance’s prediction of a 1.7% growth, and Bank of Finland’s prediction of a 1.5% growth (Bank of Finland 2012, 7; Valtiovarainministeriö 2012). The most positive prediction comes from Handelsbanken, as they expect the GDP to grow by 2.8% in 2014 (Hurmerinta 2012).

How Finland’s economy will perform in 2013 will be heavily tied to the state of the global economy. While the predictions by various banks and organizations are not very positive, the economy should not be in very bad shape, as even the most negative predictions do not paint a terrible scenario, but rather a slight contraction in the GDP growth. Therefore the state of the economy should not be a big obstacle for starting a new business in 2013, especially since a video game rental store will not be dependent on exports. If consumer confidence lowers a lot, savings rates increase, and unemployment rate increases, the store’s sales could suffer from this. However, as rental games do not cost much and do not require a big investment to rent, they should not be affected greatly by such factors.
Attachment 2. Global economy

As exports play an important role in the Finnish economy, and state of the Finnish economy is affected by how the global economy is doing, it is important to also take a look at how other countries are expected to perform in the upcoming year. The International Monetary Fund predicted the global growth to be 3.3% in 2012, and 3.6% in 2013 (International Monetary Fund 2012b). According to IMF Chief Economist Olivier Blanchard, “Low growth and uncertainty in advanced economies are affecting emerging market and developing economies through both trade and financial channels, adding to homegrown weaknesses.” (International Monetary Fund 2012b.)

2012 was a difficult year for Europe, as many EU countries economies struggled with their economies due to the Euro Zone crisis. While 2012 has not been great for Europe’s economy, it should be able to turn the page in 2013. Europe’s Central Bank expects that European countries economies will start to recover during the second half of 2013, and all of them should grow in 2014 (Avila & Esposito 2012). While the ECB predicts a positive turn in the crisis, there are some concerns that the crisis is still not over. Greece has taken steps to improve its economy, but it still has a lot of work ahead of it, and it is not the only country that has struggled in recent years. Spain, Italy, and Portugal have all had their share of troubles during the past years. Nicholas Spiro, managing director of sovereign credit risk consultancy company Spiro Sovereign Strategy, points out that while the Euro Zone situation has improved lately, some investors think that the crisis is not over and could still worsen (Spiro 2012).

The US economy has also been going through some difficulties lately, but it seems to be turning the page. It improved by 3.1% during the third quarter of 2012, and the US Federal Reserve expects a GDP growth of 2.5% to 3% for 2013, and 3% to 3.8% for 2014 (Kearns 2012; Kowalski 2012). While the future for the US economy looks positive, they still need to get over the fiscal cliff before the end of December. That is
when the Bush era tax cuts end, and the US Congress needs to come up with a new plan before that. If the Democratic and Republican parties cannot come to an agreement over a new tax plan, taxes would automatically rise and there would be new budget cuts. If a plan cannot be reached, the US Congressional Budget Office expects the country’s GDP growth to be reduced by 3.9% next year. (Matthews 2012b.)

BRIC countries’ economies grew very rapidly not too many years ago, and many forecasts predicted that they would continue their rapid growth for a long time. However, their GDP growths have slowed down over the last two years. According to IMF, BRIC countries should have a GDP growth of 4.18% in 2012, and 5.54% in 2013 (BricPartner 2012). China is especially important among the BRIC countries, as it is the world’s second largest economy. While its economy continues to grow, the growth rate has been slowing down in recent years. Their GDP growth was 10.3% in 2010, and 9.2% in 2011 (Von Hoffman 2012). The expected GDP growth for 2012 is 7.7%, which is yet again lower than the previous year, but their economy should grow 8.2% in 2013, according to the Chinese Academy of Social Sciences (CNBC 2012).

Overall, the global economic outlook looks somewhat optimistic for next year. If predictions done by IMF, banks, and other organizations are accurate, the global economy should show moderate growth, and there should not be any serious threat to Finland’s economic growth. However, predictions can always go wrong, and things may not go as positively as initially thought. If Greece’s situation worsens, the U.S. can’t find a solution to the fiscal cliff, or some other unforeseen event takes place, it could affect economies all around the globe, which would have a ripple effect on the Finnish economy.
Attachment 3. List of distributors

Below is a list of possible distributors that the store could acquire its games from:

- Panvision is one of the larger video game distributors in Finland, with its headquarters in Sweden and over 25 years of experience on the Nordic market (Pan Vision AB 2012).
- ALSO-Actebis is the third biggest distributor of information and communication technology in Europe (ALSO-Actebis 2012a). ALSO Finland Ltd takes care of importing to the Finnish market, and some of their brands include Sony, Microsoft and Electronic Arts (ALSO-Actebis 2012b).
- GNT is a large distributor of software, consumer electronics, IT equipment, and entertainment products in the Nordic and Baltic countries. They became a part of ALSO, as they acquired the majority ownership of GNT. (GNT Finland Oy 2009.)
- Nordic game supply distributes video games to the Nordic market and has its headquarters in Denmark (Nordic Game Supply A/S 2012).
- Amo is a Finnish company that has been importing toys to Finland for over 50 years, and also the largest toy importer in Finland. In addition to toys, they also import Nintendo’s products to Finland. (Amo Oy 2012.)
- Nordisk Film is an importer and producer of movies, television shows, music, and video games in the Nordic market. They are the largest importer of Sony Playstation’s products in Finland. (Oy Nordisk Film Ab 2012.) Nordisk Film is part of Scandinavian media company Egmont (Egmont 2012).
- Warner Bros imports movies, television shows and video games to Finland. Most of their games are related to the movies that they have produced, such as Batman (Warner Bros Entertainment Inc 2012).
- MiGame is a Finnish importer and distributor that operates from Helsinki (MiGame Oy 2012).
• Plan1 is a Finnish company that operates in Helsinki and Tampere. They have imported and distributed video games, toys and multimedia products since 1990. (PLAN 1 Oy 2012.)

• Gamedog is a Finnish importer of video games that has operated in Finland since 1994 (Gamedog Oy 2012).

• Pelika is a Finnish importer and distributor of video games and jukeboxes. Sega, Namco, and Konami are some of the companies they represent. (Pelika net Oy 2012.)

• Digicom Solutions is a distributor of electronics based in the UK. Among their products are video games, accessories and consoles, which they distribute to Europe and the Middle East. (Digicom Solutions Ltd 2012.)

• Click Entertainment is another UK-based distributor of video games, accessories, and consoles. They distribute their products in the UK and internationally (Click Entertainment 2011.)

• Koch Media is a large distributor and producer of digital media products. Their products include video games, which they distribute across Europe. Koch Media has branches in several European countries, such as Scandinavia, and also in North America. (Koch Media 2012.)

• Link Distribution is a distributor from the UK, that distributes video games across the UK and Europe, with customers in over 60 countries across the globe (Link Distribution 2012).

• Creative Distribution Ltd is a video game distributor from the UK that distributes its products across Europe (Creative Distribution Ltd 2011).
Currently there are three major competitors producing video game consoles. These three are Microsoft, Nintendo, and Sony. Sony has the Playstation 3, Nintendo has the Wii, and Microsoft has the XBOX 360. In addition to this, both Nintendo and Playstation have handheld consoles. Nintendo’s most current handheld consoles include the different variations of the Nintendo DS, and the Nintendo 3DS. The Nintendo DS versions are Nintendo DS, Nintendo DS lite, Nintendo DSi, Nintendo DSi XL and Nintendo 3DS. The different DS variations have slightly different features, but most games can be played on all of them. (Nintendo 2012.) Playstation’s handheld systems are the Playstation Portable, and the Playstation Vita. The Playstation Portable has three versions, which are the PSP-E100, PSP-3000, and PSP Go. These are three variations of the same system, and offer slightly different features. (Sony 2012.)
Attachment 5. The next generation consoles

The current generation of gaming consoles is approaching its end, and new consoles can be expected from the three major companies in the near future. No release dates have been set by Sony’s or Microsoft’s new consoles, but Nintendo released theirs already in late November of this year (Warman 2012). Sony and Microsoft are expected to follow suite sometime in 2013.

Nintendo recently released their new console, named the Wii U, which initially had the working title of Project Cafe. The Wii U was properly introduced during the E3 game convention in June 2011. The clearly innovative and differentiating feature that the Wii U will offer is its controller. In addition to being able to play on the television screen, the Wii U controller works in a similar way as a tablet computer, providing its own touch screen to play with. (Edwards & Yasu 2011.) The Wii U was released in the United States on November 18th with the selling price of $299.99, and in Europe on November 30th for around 300€, but the asking price varied between countries. Besides the cheaper version of the console, there was also a more expensive one that had more memory and some additional content. (Grant 2012.) Wii U seems to be following Nintendo’s strategy that they had with their previous console, being less powerful and cheaper than its competitors, but attempted to entice customers with a new and innovative way of playing games. Wii U seems to try and innovate with its new type of controller, and its processing power is rather similar to the Xbox 360 and Playstation 3, so not very powerful for a new console (Takahashi 2012a). Initial sales figures indicate that Wii U has had a weaker start than its predecessor, the Wii console (Lejacq 2012b).

While Nintendo has already released their new console, Sony and Microsoft are still developing theirs, and have not yet given information on their release dates. Nothing official has been released regarding the new Xbox’s release date, but there have been reports that Microsoft is aiming to release their console in the fall of 2013 (Bass & King 2012). There has long been talk of consoles eventually switching completely to
digital distribution, but that seems unlikely with Microsoft’s new console. Phil Spencer, Microsoft Game Studio’s Corporate Vice President, emphasized the importance of retailers for Microsoft in an interview about the new Xbox, and notes that game retailers will be part of video games’ supply chain for many years to come (Campbell 2012). There were also rumours earlier this year of a mechanism that would prevent used games from being played on the new console, but at least Paul Raines, CEO of GamesStop, believes that is unlikely that these rumours are true (Campbell 2012; Jackson 2012).

Sony has not given any date for their new console, but their new CEO, Kaz Hirai, insists that the Playstation 3 has a 10 year life cycle (Loftus 2012). As the Playstation 3 was released on November 10th 2006, this would mean that a new Playstation will not be released yet for quite a while. However, the development of the new Playstation is under way. The Playstation 3 had a high price tag initially due to its advanced technology and the Blue Ray player that was included in the console. This time around, Sony plans on developing a cheaper console. Sony’s executive vice president and chief financial officer Masaru Kato stated that they would not invest as much in the new Playstation as they invested in Playstation 3 (Kuchera 2011). While Sony has remained quiet about the release of a new console, there have been rumors that it could be released during Christmas 2013 (Rivington 2012). Senior executives of GameStop, the largest video game retailer in the United States, stated to their shareholders during an investors meeting that they do not believe either Microsoft or Sony to release a new console before 2014 (Falcon 2011).

So it would seem like the three console manufacturers will take a very similar approach to the new console generation as they did with old one. Nintendo will have the least powerful console and rely on innovation and low selling price. It worked for them fairly well last time, even though their sales have dropped quite a lot towards the end of the Wii’s life cycle. Only time will tell if they will be able to capture the interest of the casual gamers as they did last time. One of their weaknesses was that the Wii had
less available games, as it was easier for game developers to create cross platform
games for the XBOX 360 and Playstation 3, due to their similar technology.
Microsoft’s and Playstation’s new consoles are expected to have higher raw power, but
they also could be relatively weaker than they were with the old consoles.

Playstation 3 had the most power out of the old consoles, which was one of the
reasons why it had a high selling price initially. This caused the sales of the console to
start quite slowly, and the console did not start to catch up with its competitor’s sales
until recently. The owners of the Playstation 3 were not able to always enjoy the
benefits of a more powerful console, as cross platform games are usually designed
based on the limitations of the lowest common denominator, which is the XBOX 360
in this case. This time around, Sony may wish to have a lower starting price to avoid
the problems that they had with the Playstation 3. Both Microsoft and Sony could also
try to emulate Nintendo’s strategy of making a profit with both its hardware and
software. With the last console generation, the Wii was the only console to make a
profit throughout its lifecycle. The other consoles were initially sold at a loss, and the
profits were made through game sales and accessories. The consoles themselves did
not start to generate profit until the technology required for building them had become
cheaper. (Bright 2012.)

Since Microsoft released their own console in 2001, there have been three major
competitors in the console market for the past two console generations. For this
upcoming generation, that setting will change. The game developer Valve, who also
operates the digital distribution service Steam, has announced that they will be
competing with the current console manufacturers with their own device. Valve’s
device will not really be a console, but rather a PC that will be used in a similar manner
as a console, as it is aimed for living room use with a television. (Schreier 2012.)
Valve’s living room PC will differ from regular PC’s, as it will be more of a turnkey
solution, meaning that it will most likely be a very standardized system, whereas regular
PCs are sold with a wide range of different kinds of technology (Oynett 2012). Valve
will no doubt attempt to heavily market their Steam stores games on their new device, hoping to attract people who are more interested in playing with consoles. As Valve’s new device is meant only for PC games and the rental store will not be renting PC games, the device will be a direct competitor.

Valve is not the only new competitor emerging on the scene. In 2012, a new type of console concept called Ouya managed to gather a large amount funding through Kickstarter. Ouya is going to be a low-end console, with a price tag of around $99,00 in the United States, and it will be released in early 2013. (Ouya 2012.) Ouya will not compete with other consoles in terms of power, but it will offer an open system that should attract many independent game developers (Orland 2012). Ouya will also support OnLive’s cloud games (Parkin 2012). This means that players will be able to play games that are streamed through an internet connection, from OnLive’s servers. As the game is processed on OnLive’s server, it gives the player a chance to play a very advanced game on the Ouya system that does not possess much power.

The new generation of consoles will most likely play out in a similar manner as the current one has. Nintendo will attract more of the casual gamers, and Microsoft and Sony cater more towards the hardcore gamers. Valve’s PC and the Ouya console are unlikely to gain a big market share, as both are sold by smaller companies that do not have the marketing resources that the larger companies have, nor do they have the support of game developers that the three major console manufacturers possess. They are also new to the console manufacturer’s market, so they do not have as strong brands yet. The rumors of systems that would block the ability to play used games, and offer the ability to play cloud games are concerning, as they would be harmful for a rental business, or in the worst case, completely prevent one from operating. They are only rumors though, and the blocking of used games at least seems unlikely to happen during the next generation.
As seen in figure 8, console life cycles have varied quite a bit in the past, but usually they have remained around five years. The current generation of consoles has changed this pattern, as 2013 will be Xbox 360’s 9th birthday, and Playstation 3’s 8th (Oswald 2012). As Microsoft and Sony will likely release their new consoles in 2013, their old ones will likely stop selling soon after. As the console’s life cycles expand, it also has an effect on video game sales. Game sales tend to usually be low in the beginning and the end of video game consoles life cycles. In the beginning, sales are naturally low because the console is new and has not managed to establish a large enough customer base to buy new games. Analysts at Piper Jaffray, an investment bank and asset management firm, predicted that the next generation consoles game sales will be 53% lower for 14 months after their releases (Shilov 2012). The current generation of consoles has dragged on for longer than usual, and that may be one of the reasons for the lower game sales that have been plaguing the industry for some time now. Research company
NPD Group’s analyst Anita Frazier believes so, as she points it as the main reason for lowered game sales, along with fewer game releases (Brightman 2012a).

While longer console life cycles may be what the console manufacturers want, game developers are not too happy about them. For example, game developer Ubisoft’s CEO Yves Guillemot is against long life cycles for consoles. Naturally one reason is because game sales drop towards the end of consoles life cycles, and the end lasts longer with longer life cycles. He also points out that game developers are able to reinvent themselves when developing games for new consoles, as developers take less when creating games for consoles that are at the end of their life cycle. (Crecente 2012.) Square Enix worldwide technology director believes that the current generation’s life cycle is too long, and as a result, some developers have started developing games for different platforms (Sinclair 2012b).

In the future, the trend of long life cycles for consoles may continue, at least according to some industry experts. At least id Software’s technical director John Carmack believes that will be the case. (Shilov 2012.) While none of the console manufacturers have stated how long they think their next generation consoles’ life cycles will be, they will likely try to make them last as long as possible. Developing a new console is very expensive, and the longer they are able to sell their current console, the more money they are able to make off of it. Consoles are often sold as loss leaders initially, as they are sold for a loss in the beginning of their life cycles, but eventually their technology and manufacturing costs will start to drop, and the consoles themselves will also start to make a profit. While Microsoft and Sony are likely to have long life cycles for their consoles, Nintendo may have a shorter one for theirs. Reggie Films-Aime, President of Nintendo of America, is confident that Nintendo’s new console will have a long life cycle that will make it through the new console generation (Gera 2012a). Not everyone agrees with Films-Aime’s statement, as some believe the console’s weak processing power could lead to a shorter life cycle. At least game developer DICE’s lead designer believes so, as he voiced these concerns on Twitter. (Stuart 2012.)
As for video games’ life cycles, they generate most of their revenue in a short period of time after their release. Video games usually generate about 85% of their total sales during their first years, according to two of Susquehanna Financial Group’s analysts (Dobson 2007). Price Charting, a site that tracks video games prices, has noted that video games prices are reduced by about 40% each year. The price reduction will slow down, but still continue for three more years, and usually plateau around the sixth year. (Hendricks 2012.) This drop in sales after the first year does not bode well for the game rental concept, as the store would need to continue renting games for a long time after their release. It could be that this drop in demand would not happen as drastically with the rental business as with regular game retailers. Retail businesses often stop carrying older titles in their inventory once they have sold out their old copies, as they need to stock new games that are being released. This could partially explain why game profits drop so much after the first year, in addition to consumers losing interest in them, and the prices of games being reduced gradually after their release.

From the point of a video game rental store, a longer console life cycle has both positive and negative aspects. On one hand, longer life cycles mean that the store would not need to change its inventory as frequently. As new generations come, eventually the old generation’s games will lose their appeal. As the generation lasts longer, the longer the store will be able rent the games that it has purchased. However, game sales tend to drop towards the end of console’s life cycles, and this will also most likely apply to the demand of rental video games, meaning that revenue would most likely remain lower than usual as the end of each life cycle drags on. As the current life cycle is coming to an end, the store should not invest too heavily into the old generation’s games, as they will quickly start to lose their appeal once new consoles’ are released. The new generation’s games should be purchased in small amounts in the beginning, as it will take a while after their releases before the new consoles have a big enough user base.
Attachment 7. Video game industry supply and value chain

In the past, there used to be only one type of supply chain, where the game left from the developer and passed through the publisher, distributors, retailers, and finally to the consumer, as seen in figure eight. This traditional supply chain still exists, but other possibilities have emerged along with it, due to new playing methods and distribution methods. One such example would be distribution for mobile games, where the developer passes on the game to the distributor, who in turn provides the game to the consumer. As broadband speeds have improved, digital distribution has become increasingly popular. One example of such a method would be where the developer cuts out the middlemen, and distributes the game directly to the consumer, through their online game store (European Games Developer Federation 2011, 5). Not all developers have their own store, so they include a distributor as a part of their digital supply chain, such as Valve’s Steam online store.

![Digital video game supply chain](image)

Figure 9. Digital video game supply chain (Gallagher 2009)

The digital supply chain, such as the one pictured in figure 9, will most likely become the dominant distribution model in the future, and eventually render physical game retail stores obsolete. The emergence of new distribution methods has taken away sales from retailers over the last years. As cutting out a middleman allows video game developers and publishers to gain bigger profits, it is likely that digital distribution will become increasingly popular in the future, and retailers’ profits will continue to shrink, which naturally is not a positive scenario for video game rental stores. In the past, consoles’ memories could not support very many games, which is one of the main reasons
why digital distribution has not been very popular on consoles. This, however, will probably change in the near future, as new consoles will likely have larger memory capacities. The switch to digital distribution could happen very soon, as DFC Intelligence expects digital game sales to pass physical game sales in 2013 (Handrahan 2011). Digital sales surpassed physical retail sales for PC games already in the U.S. in 2010, but digital distribution has not become quite as popular with console games just yet (Magrino 2010).

Figure 11. Revenue share of a £39.99 video game (Yin-Poole 2011)

As for how much it costs to get a game to the consumer, this will vary on what distribution method is used, and what kind of deal the developer and publisher have. One example, as seen in figure 10, shows that a game sold in the United Kingdom for £39.99 could include: £12 to the publisher, £7 for VAT, £10.50 for the retailer, £8 license fee to the console manufacturer, £0.65 for distribution, £1.75 for marketing, and either £3 from the publisher is given to the developer, or then a quarter of the revenue the publisher has made (Yin-Poole 2011). Another example for a 60$ game would be: $7 for the platform manufacturer, $27 for the publisher, $7 for the developer, $4 for distribution, and $15 for the retailer (Tassi 2012a).
Attachment 8. Digital distribution

As the ways to play games has progressed, so has the way to purchase them. A market research group, the NDP Group, published a study for the fourth quarter of 2011, covering the United States, France, Germany, and UK. Their findings showed that consumers spent more money through new sales methods, than they did through traditional retail stores. These other new sales methods include game rentals, used games, digital game downloads, subscriptions, social network games, downloadable content, and mobile games. (NPD Group 2012a.) Buying physical content at retail stores remains still the biggest way consumers buy their related material in the United States, but it is slowly losing its share. In 2011, buying new physical content generated $9.3 billion in the U.S., which is an 8% drop from the previous year. However, other purchasing methods rose from the previous year in 2011. (NPD Group 2012b.)

It would seem that the video game industry is moving towards a similar shift as the movie, music and television industries have done in the past years, as consumers are looking for easier and cheaper ways to purchase their content. Out of these new ways of distribution, digital distribution seems to be growing the fastest. GameStop seemed to respond to this shift by purchasing two companies focused on digital distribution of games earlier in 2011 (Gallagher 2011). After a strong year in 2010, their revenue dropped from $408 million to 339.9 million in 2011. While GameStop has experienced some decline, their digital products are doing well and they expect them to be one of the drivers for earning higher profits in 2012. (Bloomberg Businessweek 2012.)

Retail stores will no doubt try to fight against the growth of digital distribution, but this may be a very difficult task, as it brings many benefits to consumers, game developers, and console manufacturers. For consumers, digital sales provide a much larger library of games they are able to buy. While retailers generally have only rather recent games on sale, digital stores may be able to provide the entire library of games released on a certain platform, and many older platforms as well. As with traditional music cd sales
and digital sales of music, similar aspects apply to the sale of games as well. People often prefer to purchase products with as little effort as possible, and doing so from the comfort of their own home through digital purchases offers them this option.

As for game developers and console manufacturers, digital sales provide a great method to fight against the sale of used games. When a game is sold to a consumer through a digital game service, that game is tied to the consumer’s account, and cannot be sold forward. Game developers will also be able to remove one step out of the supply chain, and thus increase their own profits. With digital sales, there is no real need for retailers, and developers are able to sell their games straight to the end consumer.

While the cost of releasing a videogame can vary, one estimate for a £39.99 game sold in the UK through a traditional supply chain would involve losing £11,15 to the retailer and distributor (Yin-Poole 2011). If the developer could eliminate the retailer out of the equation, they could make an additional £11,15 on each game they sell, but some of this money would go towards maintaining their own digital distribution service, or paying for an outside digital distributor.

Current sales numbers would indicate that the video game industry is going through a recession, but not all believe this. The numbers do support this, but that may be because there are no clear figures on how much is sold digitally. The research group NPD did not start to track digital sales until the beginning of 2012, and those figures are for digital sales made through retail stores only. It could be that the recorded declining figures are not a sign of recession, but rather show that the video game industry is migrating to digital sales. (Agnello 2012b) The research group NPD acknowledged this problem in 2010, as they stated that they were aware that their reports did not give an accurate picture of the whole industry, and that they would include digital sales in their reports henceforth to correct the issue. (Frazier 2010). Even though the NPD is attempting to track digital sales, the task is difficult as many digital distributors do not release any sales figures. For example Valve, the owner of one Steam, does not release sales figures of their digital game distribution service, but their sales are estimated to
account for over half of the PC download sales. Jason Holtman, Director of Valve’s Business Development, criticized charts that list game sales figures, stating that they are not accurate, as they point that PC game sale figures are going downwards, when the opposite is in fact happening. (Parfitt 2011.)

So far digital distribution has been more popular among PC games. This is mainly because piracy is more common among PC games, which has forced game developers to switch their strategies. Some game developers have decided to shift their focus mainly on to game consoles. Ubisoft is one of these companies, as they are producing fewer games for the PC due to piracy. Several online retailers, such as Good Old Games, believe that game developers should not abandon PC games, but rather think of new ways to distribute games and add more value to them. (Digital Digest 2011.)

So far game downloads have not been as popular among console gamers, as they have been among PC gamers. This is simply because there are not as many available downloadable games for consoles. Most of the downloadable console games are either smaller arcade games, or old games from previous game consoles. The smaller storage space of current consoles is one reason for this. Another possible reason may be because many console owners do not have their consoles connected to the internet, but this has improved over recent years. A recent study by Nielsen showed that about 56% of American homes have a current generation game console, and about 45% of these are connected to the internet (Pungello 2012).

Not all developers feel the same way as Ubisoft does, as digital distribution has been considered as a savior for the once declining PC-gaming industry by many. The UK based game retail chain Game Group said their sales were down in 2011, but their digital sales had grown by 40% in November 2011, compared to the previous year (Andrews 2011). While digital sales have been dominated by PC-games, it could become the standard method for purchasing games across all platforms in the future. At least EA Labels head Frank Gibeau believes this. When talking about the industry moving
towards all-digital publishing, he stated that while retailers are an important partner for publishers, switching to all-digital distribution will happen in the near future. (Tassi 2012a.) Gibeau’s coworker, EA Games Executive Vice President Patrick Soderlund, also shares similar feelings. He believes that the traditional retail videogame sale method will meet its eventual demise in less than ten years (Chalk 2012).

As broadband speeds improve and consoles offer more services than just gaming, consoles will be increasingly more connected to the internet. As a result, console manufacturers may shift their focus, and start offering more of their games through digital downloads. So far there has been a limited selection of digital game downloads on consoles, with the focus on old games, demos and smaller arcade games. Nintendo has already announced that they will distribute most of their 3DS and Wii U games through digital download, in addition to traditional retail sales (Fletcher 2012).

While digital distribution does have its benefits, it brings along some problems to game retail stores. If digital sales continue to increase over the years as they have so far, they may render many traditional bricks-and-mortar video game stores obsolete. GameStop CEO, Steve Nix, talked about the issue at the Dice Summit and pointed out that about seventy percent of the downloadable content that they sell is still bought with other means than a credit card, such as cash (Agnello 2012c). This would indicate that at least for now, consumers are more comfortable shopping in stores than online, but this could start to change once consumers get more used to purchasing game content online.

Consumers will no doubt like the convenience that digital sales bring, but there may come negative side effects along with it, if digital sales become increasingly popular. For one, consumers will no longer be able to sell their games once they are done with them. The distribution costs of games will drop as well, but the prices of games may not reflect this. As developers may be the only ones selling their own unique games, consumers will have no choice but buy from them if they want a specific game. This
means that there will be less competition, which usually leads to higher prices. As game sizes continue to increase, the time to download a game may become quite long if internet speeds do not develop at the same pace. Consumers will no longer have a physical copy of their games, and if the device that they have the games stored breaks, they may have a hard time getting all the lost games back. Some digital game distributors also require you to log on to their service while you play their games, which requires constant internet connection.
Attachment 9. Cloud gaming

Another threat to traditional video game retail stores, is cloud gaming. Cloud gaming is a relatively new concept, that allows people to stream games on to the platform that they choose to play with. This means that the player does not buy the game itself, but is connected to the company’s server that processes the game, and the server sends video images to the consumer through an internet connection. When the player plays a cloud game, they send commands through an internet connection to the server, and the server then sends video images based on these actions back to the consumer. The servers are also able to save the players progress, so that they can return back to the game when they want to. Cloud games can be played on televisions, computers, and mobile phones, as long as they are connected to the internet. (Takahashi 2011.)

While the concept for cloud gaming has existed for some time, only in recent years cloud game companies have started to emerge. This is most likely because internet speeds have improved enough to remove most of the latency issues that had plagued the games in the past. Onlive and Gaikai were the two largest companies on the market for a long time, and one of the earliest ones as well. Onlive started its services in late 2010 and Gaikai in early 2011. (Gaikai 2012; Onlive 2012.) Many others have entered the market since 2010, such as the French service provider SFR, Ubistus Game Cloud, Itsmy, Big Fish Games, LG U+, Square Enix, CiiNOW, and Orange France (Big Fish Games Inc 2012; Buckley 2012; Ciinow Inc 2012; Paoli-Lebailly 2012; Rubin 2012; Ubistus Inc 2012). Cloud gaming has had a rough start, but the future could be bright. John Clark, Sega UK’s managing director estimated that cloud gaming companies made $85 million in 2010, and would reach $460 million in 2015 (Coby 2012). To reach these estimates, cloud gaming companies need to make big improvements in the coming years, as currently they are not growing at quite that speed. If the reports of OnLive’s peak concurrent user amount of 1800 were true, cloud companies will still have a lot of work to do before they become a big factor in the video game industry (Fahey 2012a).
The technology is still going through some growing pains and has some work to do before it can become more widely used. Its main problem is out of its reach, as not all potential customers have fast enough bandwidth speeds to play games without latency issues. These problems should get solved in the not too distant future, as bandwidth speeds continue to improve. Many consumers may also be hesitant to pay for the right to play a cloud game, rather than owning a copy of it that they could later sell. Also fears of server troubles or internet problems could prevent a consumer from playing the game that they have paid for, and because of these types of issues, cloud gaming has not managed to gain a large foothold in the video game market. So far the service has lacked the strong marketing effort that many larger industries have, but that could change as more large companies are investing in cloud gaming (Gaudiosi 2012b, 9).

One of the largest cloud gaming providers, Onlive, realized these problems the hard way. Onlive had no trouble finding investors, such as HTC, that invested based on the high potential that Onlive showed. While potential is great, it means little if a company is unable to gain enough customers and that is exactly what happened with Onlive. They had problems maintaining a high enough customer base to cover the costs of their operation, and eventually ran out of money. One of the problems that their customers complained about was latency issues, which still trouble cloud gaming. Onlive was forced to file for a bankruptcy alternative, the Assignment of Benefit of Creditors, after which they were sold to an affiliate of Lauder Partners. Prior to this, they were forced to lay off most of their workers. (Takahashi 2012b.)

However, as with many new technologies, cloud gaming faced problems in its first years, but advances in its technology have helped reduce some of these problems and the costs of running the operation. As internet speeds improve, latency problems should also be taken care of. Peter Relan, chairman of iPad game streaming firm iSwifter, noted also that costs should start to come down, as companies are switching to graphics-based servers which help reduce server costs (Takahashi 2012b). The new
GeForce GRID that is being developed by NVIDIA should also offer better gaming experiences, and help keep the server costs lower (Leadbetter 2012). It could be that some of the Cloud gaming companies entered the market too soon, and would have been more successful if they waited for a few more years before starting their operations.

Cloud gaming offers several benefits when compared to traditional gaming methods. For one, players are able to play games that would normally require very powerful computers, on older and less advanced computers. This is because the cloud server takes care of running the game, and the game is only projected on the player’s computer. This in turn takes away the need to frequently upgrade computers in order to play newly released games. Another big benefit of cloud gaming is that you can access it from anywhere with a computer and an internet connection. This means that if you have a laptop with an internet connection, you can carry a large game collection with you anywhere you go.

There are also many possible drawbacks to cloud gaming, when looking from a customer’s perspective. If cloud gaming becomes very popular, the amount of places customers could purchase their games would likely be limited to a smaller amount of game providers when compared to the amount of game retailers today, and this could lead to an increase in game prices due to limited competition. Also, consumers could no longer sell their old games, as they would not actually be paying for the purchase of the game, but rather the right to play the game. They also may not be always able to access the game, as servers tend to crash and experience problems occasionally, but this is quite rare. (Smith 2012a.) Gamers also require constant access to the internet in order to play their games, and any internet connection problems on the player’s end will cause the inability to access the cloud servers. The customers’ internet connection has to also be fairly good, in order to prevent any lag while playing.
While cloud gaming has had its share of problems through its beginning years, many people believe it will be the future of gaming, and the killer of console gaming. One of the most successful graphics processing unit manufacturers, Nvidia, has high hopes for cloud gaming’s future. Nvidia’s GeForce Grid Cloud Gaming general manager, Phil Eisler, stated that “We’ll see [consumer cloud gaming] gain momentum throughout next year, but if I look out five years, I think it could be a significant portion of the way people play games." (Gruener 2012.) Eisler’s statement is based on the belief that improvements in technology will result in improvements in the provided service, and lowered costs of running cloud games. Nvidia has not only talked positively about cloud gaming, but also shown their faith in it by investing in cloud gaming together with their partner in the cloud gaming field, Galkai (Smith 2012b).

Eisler is not the only one who thinks this way, as many others echo his thoughts. Andrew Oliver, co-founder of Blitz Games Studios, and Ian Livingstone, Eidos life president, both believe that cloud gaming is part of the future of how games will be delivered to players (Yin-Poole 2012). Game developer THQ’s CEO Brian Farrell also has similar thoughts. He stated at a cloud gaming conference that while its too early to determine which gaming model will be the dominant one, cloud gaming would keep consumers interested in games for much longer than traditional models, as it offers much more versatility. While Farrell does believe in cloud gaming, he believes that retail stores offering games will probably continue to exist still for a long time. (Takahashi 2011.) Even though Farrell does have faith that retailers will survive in the foreseeable future, he thinks that eventually the industry will not use discs for games, as it will focus more observing, measuring, and modifying. According to Farrell, this can be done by switching to digital games, which will allow the developers to better respond to customer feedback, and continue offering additional content that will keep the player interested for a long time. (Matulef 2011.)

Many people seem to think it that cloud gaming is the future, but not everyone is sold on it just yet. The former CEO of Sony, Kaz Hirai, at least was not entirely convinced
on the success of cloud gaming, at least not at quite the large scope that some other people in his industry think it will achieve. As Hirai pointed out in August 2010, Sony does business in parts of the world where network speeds are not fast enough for cloud gaming to work effectively. (Yin-Poole 2010.) Others, such as the president of one the world’s largest game developers and publishers, EA’s Frank Gibeau, share similar sentiments. According to Gibeau, EA has started to focus on offering games that have some digital and cloud services added to their games, and that retailers are following a similar pattern, by focusing on offering digital services through their websites. (Gera 2012b.) Gamestop seems to be doing exactly this, as they have embraced cloud gaming, rather than suffering a similar fate as Blockbuster did when the movie industry shifted more to digital media. Gamestop purchased streaming technology company Spawn Labs in 2011, and will launch its streaming service in the summer of 2013. (Caoili 2012.)

Another thing that retailers are able to do, perhaps more effectively, is to market games to consumers. If traditional retailers stop selling video games, the industry could lose an important marketing channel for their products. Alan Moore, EA’s CEO, also noted this as he reminded about the importance that retailers play in the industry. As Moore pointed out, retailers are a great marketing tool for game publishers, as they have a lot of video game players walk through their stores and hold launch events for new games. Moore also points out that while a big portion of their profits comes from digital sales, a lot of these sales are from the additional content sold digitally for games that were initially bought through physical retail methods. (Rowland 2012.)

Perhaps after the next console generation has come to its end, there might be a better idea of whether the positive predictions on cloud gaming were just wishful thinking fuelled by the dreams of a technology that would increase the profits and control of both console manufacturers and console developers, or if these dreams could really come to fruition. As with digital game sales, it will also be interesting to see how the laws regarding the sales of used items will affect the business model of cloud gaming,
such as the recent ruling that the resale of used digital and physical games cannot be stopped by software developers and publishers (Maxwell 2012).

Console developers have also recognized that cloud gaming could bring many benefits. The CEO of Blitz Game Studios, Andrew Oliver, points out some of these, as he notes that consoles with cloud gaming and digital games would control pricing and margins, reduce logistic and console manufacturing costs, prevent used game sales, and increase reliability as there are no physical games to move. (Yin-Poole 2010). Oliver summarises the benefits of cloud gaming rather well, as it could solve many of the problems of the current consoles, in addition to increasing profits for the console manufacturers. If console manufacturers are capable of effectively switching to cloud gaming and digital sales, they will quite certainly do so, as the benefits outweigh the possible negative aspects.

Sony recently purchased Gaikai, one of the largest cloud game providers, for $380 million (Yin-Poole 2012). Sometime prior to the purchase, when the vice president of Sony Worldwide Studios, Scott Rohde, was interviewed about cloud gaming, he commented that it’s "absolutely inevitable that it's going to be a part of what everyone does." (Brightman 2012b.) Exactly how Sony is going to implement this in their products is still uncertain, but their cloud service could become available as soon as with their next console.

Microsoft did not wait long before responding to Sony’s acquisition, as they announced a partnership with Agawi, another cloud game provider. While Sony may aim to provide their services for its consoles, Microsoft is so far only concentrating on providing Agawi’s services on the PCs, smart televisions and Android phones. Their aim is to provide Facebook games, MMOs and core games to Windows 8 devices. Walid Abu-Hadba, Microsoft vice president, was talking about cloud gaming after the purchase and stated that Windows Azure Agawi 2.0 will allow game developers to produce high quality games and make them easily accessible across all high quality gaming
devices. (Evangelho 2012.) While Microsoft announced this move shortly after Sony expanded to the cloud gaming market, it was unlikely to be a reactionary move trying to counter Sony’s expansion, but rather part of a well thought out strategy. Microsoft already had their own cloud service, Azure, prior to this purchase, and their comments have shown that they believe in the success of cloud technology. For example, Microsoft server and tools president, Satya Nadella, stated that “I absolutely believe the cloud is beneficial to Microsoft in the sense that if you think about the way we have made money in the past is when customers have used our infrastructure and the cloud makes the use of that infrastructure that much easier. Anything that drives the use of infrastructure is a friend of ours.” (Savitz 2011.)

While Sony and Microsoft have prepared for cloud gaming, Nintendo has remained fairly silent on this matter. They recently released their console, so at least their current console will not support cloud gaming, unless they implement it later on through an update or an upgraded version of their console. It does, however, offer the possibility to save games on to Nintendo’s cloud storage service (Olasakinju 2012). It would seem that Nintendo has decided wait and see whether the technology will take off, before potentially investing in it.

For many years now, the console market has been dominated by Microsoft, Sony, and Nintendo. With the emergence of cloud gaming, this could come to an end, as companies are interested in the opportunities that cloud gaming has to offer. Samsung has recognized the possibilities that cloud gaming provides, and had made plans to stream games through Gaikai’s cloud service, on to their new televisions with broadband connection (Takahashi 2012c). This was however in June 2012, about a month prior to Sony’s purchase of Gaikai. Sony stated that they would allow Gaikai to continue doing business normally after the purchase, but it is still unclear whether Samsung will continue with the cooperation plan. (Wakabayashi 2012.) While the plan to stream games through Gaikai may be over, Samsung still has the option to pursue cooperation with other cloud game providers.
Samsung is not the only company eying the gaming market. Cable companies in the United States have been rumored to be interested in entering the cloud gaming market. AT&T Inc., Verizon Communications Inc., Time Warner Cable Inc., Comcast Corp., and Cox Communications Inc. have all apparently been in talks about starting to offer cloud gaming services, on top of their usual offerings. (Levy 2012.) If several cable providers do decide to offer cloud gaming, they could become serious competitors, as the combined customer base of the three largest cable providers is over 50 million subscribers (Bookwalter 2012). If these companies are successful in their venture to the game market, cable companies in other countries could very well follow suit.

While the growth of cloud gaming could bring many new competitors to the current console manufacturers market, it should for the most part be a positive change for both game and console developers. Generally consoles are sold at a loss for a long period of their lifecycle, and most of the money is made through software sales, which includes games. By investing in a cloud gaming, consoles could avoid the increasingly high manufacturing costs. Used game sales would also diminish, which should benefit both console and game developers. The most important change for game developers would be the removal of retailers out of the supply chain, and gaining a larger profit for themselves. While the amount of profit that goes to the retailer can vary, some estimates put it at 27% of the cost that the game is sold at (Yin-Poole 2011). THQ’s CEO Brian Farrell summarised the situation well from a game developer’s standpoint, when he said that there would be “No physical goods cost for game makers, no inventory, no markdowns, and all the money spent by the consumer would go to the developer or publisher.” (Parker 2011.)

While a successful cloud gaming service could be beneficial for game developers and console manufacturers, it could destroy the game retail market if it becomes very popular. This future scenario is still far away according to many experts, but it could start to eat away the game retailers’ revenue already in the not too distant future. If the previ-
ous innovations in the game industry are any indication, such as the streaming of movies and television shows though game consoles, cloud gaming will probably take a while to properly land in Finland and become popular.
Attachment 10. Used game sales

While there are no sales figures for used games, the combined sales figures of used games, game rentals, subscriptions, digital full-game downloads, social network games, downloadable content, and mobile games amounted to $3.33 billion over the fourth quarter of 2011 in the U.S, UK, France and Germany (NPD Group 2012a). Used game sales amount to a large percentage of that figure, as many game retail stores, such as GameStop, gain a large percentage of their profits from pre-owned game sales (Baker 2012).

While used game sales are a big business for game retailers, game developers are not too happy this sales method, as they do not get any profits for the sales of used games. The design developer of Volition, Jameson Durall, fears that the gaming industry could suffer greatly if something is not done about them. He criticizes that consumers don’t understand how expensive it is to develop a game, and how much buying used games harms developers. (Makuch 2012b.) Durrall is not alone with his fears, as others, such as Silicon Knights chied Denis Dyack, have stated similar concerns. Dyack believes that used games cannibalize the industry, and they will destroy it if their sale is not stopped. (Reisinger 2012.)

As a way of fighting against used game sales, developers have attempted many different strategies. Some, such as EA, have used online pass schemes that give a code along with only new games, which allows access to parts of the game that cannot be otherwise accessed. Downloadable content has been released in hopes that consumers would hold on to their games for longer, and also switching to digital distribution has helped prevent the re-sale of games. Durrall states that Microsoft could also force consumers to register a game on to their XBOX-live accounts if the company wanted to do so, but he admits that this would cause certain problems, such as harming the rental game business. (Makuch 2012b.) Many publishers may choose to try and release their own games, rather than relying on a publisher. Obsidians chief creative officer, Chris
Avellone, hopes that eventually his company will be able to release their games through their own digital service, once they have saved enough resources to do such a thing (Dumitrescu 2011b). If many publishers are able to publish their own games and cut out the middleman, used game sales will certainly diminish. There have also been rumors that the next XBOX may prevent consumers from playing used games, but so far those have remained as only rumors (Makuch 2012c). If this rumor were to come true, it could seriously harm many game retailers. If Microsoft or any other next generation console were to take this route, it would indicate that they place the wishes of the developers over the wishes of the retailers.
Attachment 11. Mobile phone games

One fast growing new game type is mobile phone games. GameStop has realized this opportunity, and stated that they will create a unit that will focus on mobile games. The executive chief of GameStop, Paul Raines, said that they will aim to reach sales $150 million to $200 million in 2012 and $600 million by 2016 (Baker 2012). Mobile phone games do not yet have a very large share of the total video game market, as their global value is about $2.5 billion, but their value is expected to grow at a rapid rate, and become worth $7.5 billion in 2015 (Rabinovich 2012).

It would seem that mobile phone games are taking away profits from regular games, as mobile games are growing rapidly, and regular game sales have been declining lately. While the head of Rovio, the studio that brought us the Angry Birds games, would like to have us believe that console gaming is dying and mobile games are the future, this may be wishful thinking on his part (Ha 2011). It could be that consoles are slowly dying, but it is unlikely that this is because mobile phone games, as they are used in very different ways, and offer very different experiences. Console games are more expensive products that offer longer entertainment at the comfort of ones homes, while mobile games are cheaper and simpler games that can be played when people outside of their homes. As the former editor of GamesIndustry International points out, arguing that mobile phone games would replace console games is like claiming that magazines took away the need for books (Fahey 2012b).

While mobile phone games are becoming increasingly popular, the store will not include them in its inventory. The reason for this is simply because they are mainly sold in digital form, and therefore are not suitable for renting. Even if phones that support physical copies of games were developed, such as Nokia’s old N-Gage, people would unlikely rent mobile phone games as their sales prices are very low to begin with.
Attachment 12. Social games

Another new game type that has become increasingly popular lately, are social games. The label describes usually simple games that are played on various social networks with other people. Their demographics differ from regular games, as they attract a wide range of ages, such as older women. (Lien 2012.) Social games became increasingly popular as social networks, such as Facebook, have emerged and gathered several potential players under one system. An example of one popular social game would be Farmville, which managed to attract a lot of users on Facebook.

While social gaming got off to a good start, it has faced troubles recently. The main problem with its concept is, that games given usually for free, and companies hope to make money with selling in game content and advertising. This does not always work very well, as people are quick to play free games, but often unwilling to pay for additional content. Zynga, the biggest game maker for Facebook, realized this as their stock fell by 40% earlier this year, after announcing a loss of $23 million (Gustin 2012). Even though social gaming is going through a rough patch, it will likely survive it. Alf Ruju, a consultant at Pcubed, believes that social gaming will continue moving forward successfully, and that even though it is going through some troubled times, the social gaming bubble has not burst (Fahey 2012b). While social gaming has a lot of potential, it is unlikely to pose a serious threat to traditional console gaming. As with mobile games, social games are not products that the store would be able to rent, as they are mainly sold in digital form and do not cost much.
Attachment 13. Free games

An interesting and fairly new strategy is releasing a game for free, and making money through subscriptions, additional content that can be purchased, or in game trading. Game developer studio Turbine is one company that uses this model, as they released their MMO game, Dungeons and Dragons Online, for free and without any subscription costs. They got their profits by taking a cut of the money that was transferred when players bought in-game equipment from each other. This proved successful in Turbine’s case, as their profits increased by 500%. (Schramm 2010.) While this method worked well for Turbine, it is still not very widely used.
As with many other forms of entertainment, piracy has been a problem within the gaming industry as well. There are conflicting opinions as to how big of a problem piracy really is, but many industry experts consider it the largest threat out there. PC piracy levels in different countries vary from 40% to 80% according to Reinhard Blaukovitsch, Senior Vice President of Sony DADC. (Purchese 2011b). UKIE, the association for UK interactive entertainment, also pointed out the harm of piracy on the gaming industry, as they stated that for every bought game, four were pirated (Hartley 2011). If the levels of piracy are really that high, it is no wonder that the gaming industry feels threatened by it. A developer survey by TIGA, a non-profit trade association representing the UK's games industry, showed that 60% of the respondents thought that piracy is a significant problem for their business, and 90% of the respondents felt that the influence of piracy is growing. While many admitted that piracy is a problem, only 10% felt that it could threaten the existence of their studio. (Langshaw 2011.)

Many people talk about the negative effects of piracy and there is a general consensus that it is harmful to the industry, but as Michael Pachter, Wedbush Morgan analyst, pointed out, no one really knows the full extent of its affects (Purchese 2011b). Christian Svensson, Senior Vice President of strategic planning and business development at Capcom, said that "We looked at quantifying what the real losses are, and it's incredibly hard to do, because you end up having to do a set of cascading assumptions that you have no real ability to validate in any meaningful way." (Purchese 2011b.) Eurogamer had similar results when they attempted to ask publisher for data regarding piracy. Research by companies like the ESA and DFC Intelligence were mentioned, along with monitoring BitTorrent statistic and using data provided by game sellers. However, no real figures were given. (Purchese 2011b.) As many industry experts state, there are no clear statistics on how piracy affects the gaming industry, but the general consensus is that it has a large detrimental effect.
Piracy has generally been considered a larger problem among computer games, as it is easier to get a pirated game to work on a computer than it is on a console. In order to use pirated games on consoles, a mod chip needs to be installed into the console, which is something that the average consumer is unlikely to figure out how to do. Therefore piracy should not be a very big problem for a video game retail store focusing solely on console games, as it is not very easy to play pirated copies of games on consoles.
Attachment 15. Video game rental industry

Video game rental is especially popular in the United States, as there are several different companies that offer video game rentals. There are companies that do not have physical locations, but operate through their online stores, such as Gamerang and Gamefly (Gamefly 2012; Gamerang 2012). These types of companies operate in a similar way as Netflix DVD rental does, where customers can order games through mail, and then return them again through mail. Either you can pay a monthly fee and rent a game as many games as you want, or then pay a fee for renting a game for a certain amount of times. Redbox is another provider of game rentals, and they provide them through small kiosks that are scattered all around the country. Consumers can rent a game from one kiosk, and return it to any one of the several kiosks. (Redbox 2012.) There are also some smaller video game rental companies around the country. Netflix also considered joining the video game rental business, but they have abandoned those plans at least for now (Patel 2012).

Many other countries also have video game rental companies. For example, Blockbuster is one of the many companies that offer game rentals in Britain, and OnePlay is a Danish video game rental company (Blockbuster 2012; OnePlay 2012). While Finland does not currently have any physical stores that offer video game rentals, there have been some, as R-Kioski used to offer game rentals, but their game selection was rather limited. There is also an online game rental company called HubiHubi, but they have not included any new games in their inventory for over four years, so they do not seem to be operational any longer (HubiHubi 2012). In some countries, video game rentals have been banned by law. For example, Belgium outlawed video game rentals in 2008, as their local video game industry trade group complained that rentals were eating away from the sales of games (Hefflinger 2008). Japan has also banned video game renting (Eisenbeis 2012).
Some publishers are not too fond of video game rentals, as they would make more money with regular sales, but several publishers see game rentals as a way to fight against used game sales, and therefore support it (Sterling 2011). While video game renting may have the support of some publishers, it often suffers collateral damage during the fight against used game sales. As publishers include several different incentives with new games to persuade consumers from buying used ones, they are also persuading people not to rent games as a side result.
Attachment 16. The future of game retail stores

With all the emerging threats game retail stores are facing, their future seems uncertain, and many could end up going out of business. As digital sales continue to gain a larger share of the profits, game retailers see their profits slowly dwindle away. Smaller game retailers will especially be in trouble, while larger chains, such as GameStop, should still be able to remain in the business. As internet speeds continue improving and consoles’ memory capacities increase, digital purchasing of games will likely become increasingly popular. The music business already went through such a shift, but video games are still lagging behind in this regard, as the size of video games is much larger than that of songs. If cloud gaming were to take off on top of digital distribution, traditional bricks and mortar video game stores could see a sharp decline in their revenue, unless they learn to adapt to the changes.

Some retail stores have already shown some signs of desperation, as they continue to see their game sales dwindle. In late 2010, traditional retailers in UK were considering dropping games out of their selection that required the use of Steam, one of the largest digital game providers. This idea came about, as retailers are concerned about the growing strength of Steam in the digital game market. (Dring 2010.) While retailers have not yet resorted to such drastic measures, they may still one day attempt this type of tactics if digital sales continue to reduce their profits. Even if they were to do so, it is unlikely that such moves would stop the progression of digital sales, and retailers will need to learn to cope with digital sales in some other way.

Even though many retailers have experienced difficulties in their game sales, some have shown that they are able to adapt and continue to remain competitive, at least for now. Even with the increasing growth of digital videogame sales, Gamestop has managed to remain profitable. Part of this is because their used game sales are very popular. They are also constantly thinking of new ways to innovate their business and manage to compete against digital distributors. One such move was including old games from
past consoles into their game inventory. These games could potentially be offered through a digital store, if GameStop decides to start one at some point. (Tassi 2012b.)
Attachment 17. Specialty stores

The biggest competition will come from specialty stores, which consists of stores that focus on offering a range for a certain type of merchandise that in this case is video game related material. The largest specialty store company by far is GameStop, but there are also some smaller stores owned by entrepreneurs.

GameStop is a large international company that has managed to secure a strong foothold on the Finnish market. Globally, they are the biggest video game retailer, which places them 273rd on the Fortune 500 list. They operate 6,627 stores in 17 countries worldwide. (GameStop 2012a.) GameStop was originally called Babbage’s, a small software retailer that started operating in Texas in 1996. Through several mergers and sales, Babbage’s was slowly transformed into GameStop, and became independent when they became the majority shareholder, after buying shares back from Barnes and Noble in 2004. (GameStop 2012b; GameStop 2012c.)

In the past, GameStop’s strategy for many years had been to operate through physical retail locations, where they would sell new and used games, hardware, various accessories such as game guides, and offer the consumers a chance to trade in their old games. They still do all this, but now their operation methods have changed, as they have adjusted to the increasingly popular digital purchase option. GameStop has started their own digital sales channel, and while it produced only about 9% of their global sales of $1.55 billion for the second quarter of 2012, the figure is constantly growing. (Makuch 2012a.) The digital content that they sell also includes digital add-ons that people but from stores (Sinclair 2012a). GameStop has also started to sell mobile products, such as tablet products, but they are still only a small part of their total sales. Even with all of GameStop’s new product ranges, their used game sales are still their biggest source of income. For the second quarter of 2012, used games sales reached $562.2 million, which was about 36% of their total sales for the quarter. This will likely be the case for the foreseeable future, but the trend seems to be that digital sales continue to increase.
their percentage of the sales, while used games sales are slowly decreasing. (Makuch 2012a.) As a result, GameStop has seemed to place a lot of emphasis in their digital strategy. These changes will at first have more of an impact on the North American market, but they will no doubt gradually reflect the operations of GameSpot’s Finnish stores as well.

GameStop entered Finland in 2005, but they were called EB Games back then. They obtained their current name and a much bigger presence on the Finnish market in 2007, when they acquired Free Record Shop’s stores and several of their employees (Lehikoinen & Shahriar 2012, 7). GameStop’s entry to the market increased competition significantly and many smaller stores, such as Player One, went out of business as a result (Kauppinen 2009).

GameStop has currently 20 stores in Finland, seven of which are in the greater Helsinki region. The stores are located in the Jumbo, Kamppi, Itäkeskus, Columbus, IsoOmena and Sello shopping centres. There is also one situated inside Asematunneli. (GameStop 2012d.) Gamestop has managed to grab a strong foothold in the Finnish market through competitive prices and their used game sales. Consumers are able to bring their old games to the store in exchange for store credit. These games are then re-sold for a high markup. This process has been very profitable for Gamestop, but it has angered video game producers, as they see smaller profits as a result. GameStop President Paul Raines claims that developers should not be against used game sales, as they benefit from them as well. Raines claims that used game sales fuel the purchasing of new games, as 70% the money consumers get back from old games at GameStop is nearly straight away spent on new games. (Game Politics 2012.)

GameStop is the biggest competitor in the Finnish video game market in the Capital Region. They have the largest selection of games out of all game providers, and also the most competitive prices, as they sell used games. Their prices for new games are quite high however, as they are usually priced at 69,90€. Their used game sales give
them a big competitive advantage against other video game providers, and their wide assortment of video game related merchandize makes them the go to place for many video game players. Competing against them will not be easy, as they have such a strong position on the Finnish video game retail market. As the rental store will be situated in the Helsinki region, it would be mainly competing with the seven GameStop stores that exist in the greater Helsinki area, with most of the competition coming from the Kamppi and Asematunneli stores.

As pointed out earlier, GameStop’s greatest advantages are their relatively low prices, wide product range, and their used game sales. It will be difficult to compete with the amount of games that they offer, at least in the beginning, but the rental store should attempt to match them in all the most popular new games. As for pricing, game rental will be able to offer a much lower price for new games, as long as the player does not plan on renting the game for a very long period of time. Being able to trade in your old games will be also another hard thing to compete against, as players are able to gain money for their old games when they take them back to the store. The amount that they players get in return is very low compared to the original price that it was bought for though, so the amount that they pay for the game, even after deducting the money that they get for the used game, is still fairly high. The main areas that the rental store will be able to best compete with GameStop, are short single player games, and various multiplayer games that friends are able to rent for a weekend and play together. An example of such a game would be singstar, as it is cheaper for a group of friends that plan on playing the game at a party to rent it, rather than to purchase it for such a limited playing time. As game prices are very high, game rental will give the consumer an option to also try out a game before deciding if they want to buy it.

There are also several smaller stores that sell game related merchandise spread around Finland. These are generally individual stores and not part of a larger chain, or consist only of a few different stores. One such store is Puolenkuunpelit, which has three stores in Lahti, Kouvolan, and Tampere. They no longer have a store in the Capital Re-
They also seem to focus on special editions of games, such as collectors editions, that are more expensive than regular games. They also buy and sell used games. (Puolenkuun Pelit 2012.)

Another such store that operates in Tapiola, Helsinki and Myyrmäki, is Mygamestore. They also have three other stores in Finland, and they focus on all types of games, such as board games and various card games. They have a website, but do not sell games through it. (My Game Store 2012a.) They also offer to trade your games for store credit and sell old games, but their video game selection is not quite as large as the previously mentioned specialty stores, as games are only a part of what they offer (My Game Store 2012b).

Another small video game retail company is VPD, which has operated in Finland since 1992. They have two stores, one which is in the shopping centre Tikkuri and the other in the shopping centre Espoontori. (VPD 2012a.) The store buys and sells old games, and their new releases usually sell for 59,90€, but they drop the prices of their games fairly quickly, as some of their games that had been released two months prior were priced at 44,90€. Their game selection is quite limited, and seems to focus on some of the more popular new releases, and also on some less known games that larger chains may not carry. (VPD 2012b.)

There are also several other very small stores and here is a list of them:

- Peli.fi, which has an online store and small store in the Kamppi shopping centre. New releases are usually sold at 59,95€, but can be a bit higher or lower. Their game selection is not very big, but larger than Hypermarkets, and they sell used games. (Konsolinet Oy 2012.)
• MegaSwap is a store in Järvenpää, and an online store that will open in the near future. New games usually sold for 62,00€ or 59,00€, and their game selection is similar to other small specialty stores. Their website had no mention of selling used games. (Megaswap Oy 2012.)

• Pelaajan Valinta is an online store operating from Lappeenranta that offers a very extensive selection of new and used games, and buys used games. Their new games are usually sold for 59,90€. (Pelaajan Valinta 2012b; Pelaajan Valinta 2012c.)

• Vaihtopelit.net is a small store that operates in Hyvinkää and has an online store. Their online store sells new games generally for 59,00€ and it has a rather small game selection. The store also buys and sells used games. (Donnatekniikka Oy 2012a; Donnatekniikka Oy 2012b.)

• Gameparadise is a small store in Turku that also has an online store. They have a limited game selection that consists mainly of older titles, and some new ones. Their new games are sold usually for 59,95€, and they also sell and buy used games. (Gameparadise 2012.)

• Pelaamaan.com is an online store that operates from Lahti. They have a wide selection of games, with over 3000 products in their store, and they do not sell used games. Their most common price for a new game is 54,45€, and they do not seem to drop their game prices until the game has been out for a long time, and even then not by much. (Oy Pelaamaan.com 2012a; Oy Pelaamaan.com 2012b.)

• Game House has been operating since 1990, and they have a store in Tampere and an online store. They sell and buy used games, generally sell their newly released games for 64,30€, and have a rather limited game selection. (Game House Oy 2012a; Game House Oy 2012b.)

• Pelimies has an online store and physical locations in Rovaniemi, Oulu and Vaasa. They sell and buy used games, have a rather large selection of games that consists mainly of older games, and sell their new releases for 69,95€. (Pelimies Oy 2012b; Pelimies Oy 2012c.)
• Gametown is a small video game retailer with a store in Oulu, Riihimäki, and online (Gametown Oy 2012b). Their new games are usually priced around 62,95€ (Gametown Oy 2012c).

• Suomen Pelikauppa is a store in Imatra, which has an online store and also sells used games (Suomen Pelikauppa Oy 2012a). Their new games are usually priced around 64,95€ (Suomen Pelikauppa Oy 2012b).
Hypermarkets sell a large assortment of merchandise, one of which is video games, but they are only a very small selection of what they have to offer. These types of stores have mainly fairly new games that they sell at quite a high price, and some older games that they have not been able to sell straight away. They target people who are not too price sensitive, and not aware of the price ranges at other stores, such as GameStop. An example of such would be a family that decides to buy a game for their child while they are doing their food shopping, or an older couple who decides to buy a game for their grandchild. Once a game is starting to get old, they lower the price of their remaining copies of the game in order to get rid of their remaining stock. As they mainly try to keep only very new games on their shelves, they do not have a very large selection of game titles available.

There are three different hypermarket chains in Finland, and they are K-Citymarket, Prisma and Euromarket. Euromarket does not operate in the Capital Region, but K-Citymarket has 10 stores and Prisma has nine stores. (Kesko Oyj 2012a; Suomen Lähi-kauppa Oy 2012; Suomen Osuuskauppojen Keskuskunta 2012a.) Both Prisma and K-Citymarket also have online stores. Their usual price for a new video game is 69,95€ at both stores. (Kesko Oyj 2012b; Suomen Osuuskauppojen Keskuskunta 2012b.) Both Prisma and K-Citymarket do not try to attract people to their stores with their game prices, but rather hope that people come for other cheap offers, and pickup games at the same time. Their strength comes from their good locations, as several of their stores are inside shopping centres, and also their wide merchandize selection that attracts a lot of people to their stores.
Stockmann is one of the oldest department store chains in Finland and they have four stores in the Capital Region, which are located in central Helsinki, Itäkeskus shopping centre in Helsinki, Espoo, and Jumbo shopping centre in Vantaa (Stockmann plc 2012a). Stockmann is known for higher quality products that tend to also have higher prices. Their games are priced in a similar manner as Hypermarkets in Finland, as their new games are generally sold at 69,90€ (Stockmann plc 2012b). As their games are in the similar price range, they tend to target similar customers as well, which is people who are not very price sensitive and aware of the prices of video games in other stores. Their game catalogue is similar to that of Gigantti and Anttila, which is more extensive than Hypermarkets, but less so than GameStop and Verkkokauppa. Stockmann also has an online store, but not all of their products are displayed there.

Another large department store chain is Sokos, which also has a long history in Finland. They have a very similar product range and pricing strategy as Stockmann, and their video game department is also priced in a similar manner. Sokos also has an online store, but they do not sell games through it. Where they differ from Stockmann, is that they are spread around Finland more evenly, and they only have two stores in the Capital Region.

Anttila Oy is the third large department store chain in Finland, and their company consists of Anttila department stores that sell a wide range of products, Kodin Ykkönen department stores that focus on home goods and interior design, and NetAnttila, which is their online store (Kesko Oyj 2012c). Together they have 41 stores around Finland, three of which are in Espoo, five that are in Helsinki, and four in Vantaa (Kesko Oyj 2012d). All three of them sell video games, and have a similar high pricing strategy and game catalogue as Stockman, as their games starting prices are usually 69,95€, while some new games are 64,95€ (Kesko Oyj 2012c). They also target rather similar customers. Anttila and KodinYkkönen stores biggest strength is their strong
presence with 12 stores in good locations in the Capital Region, and also all around Finland.
Attachment 20. Category specialist

Out of all the online competitors, Verkkokauppa.com is the largest one in Finland. Verkkokauppa has three physical stores as well in Helsinki, Oulu, and Pirkkala, but a large portion of their sales come through their website, which is Finland’s largest online store. They are also the second largest provider of consumer electronics in Finland, and games are a small part of their merchandize selection. (Verkkokauppa.com 2012b.) Their game selection in their stores is more comprehensive than that of supermarkets, but not as large as GameStop has. However, their online store has a very wide selection of games, with many new games and some of the more popular older ones (Verkkokauppa.com 2012c).

Verkkokauppa has fairly well priced games, as their starting prices for new games are usually at 59,90€, which is lower than most other video game providers have (Verkkokauppa.com 2012d). They also frequently have special offers for popular games, such as a limited amount of Halo 4 games on sale for 43,40€ through their online store, about a month after it was released. Their strengths lie in their well priced video games and their strong brand, as they are well known as one of Finland’s more successful online stores. Their weakness is their lack of physical presence, as they have only three stores, one of which is in the capital region in a somewhat remote location in Jätkäsaari. The store is not very easy to access on foot, and besides people travelling to the Länsisatama boat terminal, the area does not see much foot traffic, which limits the amount of walk-in traffic to the store.

After GameStop, Verkkokauppa is the second biggest competitor, as they are able to offer a comprehensive game selection and competitive prices. They are well known, as evidenced by their position as Finland’s largest online store. However, their reputation comes mainly from their electronics, and they may not be the number one store that comes to mind when thinking of a video game provider.
Another large category specialist that focuses on consumer electronics and offers video games as a part of their merchandize is Gigantti. In addition to this, they also sell household appliances. While Gigantti has an online store, most of their sales come from their physical stores. They have 41 stores in Finland, and four of them are in the Capital Region, with one in Helsinki, one in Vantaa and two in Espoo (Gigantti 2012a). Gigantti offers competitive prices, as their usual starting price for new games is the same as in Verkkokauppa, which is 59,90€ (Gigantti 2012b). They also often offer lower starting prices for very popular new games, as they are able to buy large bulks of them. Gigantti has quite a wide selection of games, but they fall short of the amount that GameStop and Verkkokauppa offer.

The store in Vantaa and the one in Lommila in Espoo are rather isolated, and not the ideal places to go shopping for a game, as they require travelling long distances with a car or public transport, unless you live somewhere in the vicinity of them. The one in Itäkeskus is inside a shopping centre and as a result attracts a lot of walk-in traffic, but the shopping centre is rather far from central Helsinki. The other Espoo location is near other shopping facilities and close to the Länsiväylä highway, but people outside of Espoo are unlikely to travel there just for games. Gigantti’s main strength in the games department is their competitive pricing. Especially their ability to buy large quantities of certain games and sell them at a lower starting price is a competitive advantage that they have over many of their competitors. Despite their somewhat remote locations, people are willing to travel there for good deals on their other more expensive products, but as video games are not that expensive and similar priced products can be had closer, they may not be the first choice to go to among gamers.
Attachment 21. Variety stores

Some of Clas Ohlson’s stores have a very small selection of games that can usually be found in a small basket in the store. They are old games that are sold at a very low price, and are most likely meant to try and create an impulse purchase from the customers who come there for their large selection of other products. While Clas Ohlson has six stores in good locations in the Capital Region, they pose no real threat to the type of business I am planning, as video games are such a small part of their overall business, and their selection is very limited (Clas Ohlson 2012).
Attachment 22. Used product sellers

GameStop is not the only place that offers people the ability to sell and buy used games, as there are websites dedicated for the sales of used merchandize. These websites operate as online auctions, where people can sell their used products, such as video games, free of charge. The largest one in Finland is huuto.net, and other ones that have games on sale are nettihuuto.com, myyjaosta.com, keltainenporsssi.fi, and ebay.fi. (Alma Mediapartners Oy 2012; Ebay Inc 2012; Huuto.net 2012; Keltainen Pörssi 2012.)

Exactly how many games are sold yearly through these types of websites is unclear, but they do most likely take away large profits from retailers, as one game bought from a retailer may be sold many times among online auction users. Games can often be bought much cheaper from these types of places than from regular stores, and they attract people who are looking for a good bargain, and may have low income, or not much disposable income. While these websites offer good prices, there are many negative aspects to them as well. People selling their products, or buying used games may not get the money or product that they were supposed to. This may because of dishonest trading partners, or because the game got lost in the mail. There is also no guarantee that the game is in good condition. Buying a game can also take a while, as often people need to wait for the auction to end, and someone may do a higher bid at the last moment.
Attachment 23. Foreign e-traders

While most people purchase their products from Finland, some people may order them online from another country. One popular destination is the United Kingdom, as their video game prices are lower than in Finland, and the postage costs when ordering from there not very high. As an example, when ordering from Amazon.co.uk, the new Far Cry 3 would cost £42,80, with an additional £6,48 postage fee (Amazon.com Inc 2012a; Amazon.com Inc 2012b). In total they would be £49,28, which would amount to 61,13€. Better deals can be found, which is why some people do order from abroad, but when you consider the time it takes for the game to arrive and generally not very big price differences, the amount of people that buy games from other countries is likely not very large. The countries that games can be bought from are also restricted to countries that sell games with the PAL region code, which includes Europe, Australia and Ocenia, unless the person buying the game has a console from one of these regions.
Peliplaneetta.net is a large video game related website that offers reviews, a discussion forum, and game related news. They also average about 40,000 unique visitors each week, and their average user is a 24 year old male (Elisa 2012a). In fact, very few of their visitors are female, as they represent only 6% of the total visitors on the website. Most of all the visitors are also under 30 years old. (Elisa 2012b). The marketing cost on Peliplaneetta.net for a thousand advertisement views would be 5€ for a panorama, 15€ for a large panorama, 4€ for a large banner, 4€ for a skyscraper, and 4€ for a box advertisement (Elisa 2012c).

Livegamers.info is a website targeted primarily for the Finnish users of Microsoft’s Xbox consoles, hence the name Livegamers, which stems from the Xbox console’s Xbox-Live online service. The website has operated since 2003 and has grown to become one of the largest Xbox related community pages in Finland. They offer reviews, a discussion forum, and game related news, but they differ from other game related websites with their game tournaments for both individual gamers and clans. (Livegamers 2012a.) The website has 18,727 active users, of which 11,828 use Xbox-Live, 66.7% own an Xbox 360 console, and 20% live in the Capital Region (Livegamers 2012b).

Tilt.tv is the online website for the Tilt video game television show. Their website is quite similar to other game related websites, with a discussion forum, news section and reviews. However, they differ slightly from others, as they offer a section for free online games and for competitions that they may have. (Tilt.tv 2012.) In 2007, they had about 48,300 weekly visitors, but their figures have come down since then as they had 10,521 visitors on week 49 in 2012, and during their best week so far in 2012 they had 22,152 visitors (TNS 2012; Verkossa Media Oy 2008). An indication of what kind of demographic visits their website today can be seen from a research done by Kuulas Research Agency at the end of 2006, which at the time showed 68% of their visitors to be between the ages of 12 to 17, and 92% of them were men (Verkossa Media Oy
2008). The cost per thousand impressions on their website is 6€ for a background/wallpaper advertisement, 30€ for an interstitial, 10€ for a large banner, 15€ for a panorama, and 30€ for a parade. Their single cost advertisements are 1250€ for a large poster, 1000€ for a button, and 850€ for a text link. (Verkossa Media Oy 2012.)

Finnish game magazines also have a presence online. Pelit.fi is the website of Pelit magazine. Their visitors consist mainly of men, as they make up 97% of all their viewers. 30% of their visitors are 20 to 24 year olds, 28% 25 to 29 year olds, and 16% 15 to 19 year olds, while their most common visitor is a regular worker who lives alone and has completed their matriculation exam. (Sanoma Magazines Finland Oy 2012a.) Their price range is somewhat similar to that of other websites, as their weekly price for example for a panorama would be 700€, 600€ for a box advertisement, and 1,100€ for a parade spot. Their prices are all shown in set costs, rather than per thousand views. (Sanoma Magazines Finland Oy 2012b, 1)
Pelaaja lehti is a popular magazine that has been published since 2002. They currently have 87,000 readers (H-Town Oy 2012a). The magazine publishes 12 issues a year and their main readers are men under the age of 29. Some of their advertisement prices are 3990€ for a two page ad, 2790€ for a one page ad, 990€ for a 1/3 page ad, and 3390€ for a back cover ad. (H-Town Oy 2013a)

There are two free game related magazines that are distributed in Finland. Game Reactor is one that is distributed in many different locations, such as stores that sell games and schools (Gamereactor 2012a). Their advertising costs are not publicly displayed, and will be given out when contacting their marketing manager. The amount of readers that the magazine has is not publicly available, but their website mentions that it is in the thousands. (Gamereactor 2012b) Pelaa is another free game magazine that is published six times a year. They have about 40,000 readers, 86% of which are male, and 58% are under 18. Some of their prices are 5520€ for a two page ad, 2760€ for a one page ad, and 1430€ for a 1/3 page ad. (H-Town Oy 2013b)

There are also other magazines that discuss about video games, for example computer related magazines and movie related magazines, but these would not be as effective options as video game magazines. Some smaller game related magazines also exist, such as the WOW magazine that focuses on the World of Warcraft PC game (H-Town Oy 2012b).

Attachment 26. Additional video game related television shows
Score is a video game related television show which is shown once a week on channel Kutonen. Score is a fairly show which does not offer video game reviews, but rather video game related information. (Kutonen 2012a.) Score began in 2011, when it was shown on TV5 (Rajala 2012). As Kutonen has a smaller amount of viewers than JIM, their commercials also reach a smaller audience. Between January and November in 2012, they had only 1,5% of the 25-44 year olds, and an average of 703,000 viewers among the same age group. In November 2012, their 10th most viewed show had 26,000 average viewers per week. (Finnpanel Oy 2012b.) This, however, naturally means that the cost of advertising on their channel would be cheaper as well. The cost for advertising for the 15-35 year old demographic on channel Kutonen would cost 20,40€ per a thousand views (Kutonen 2012b). Whether they have the option of advertising for a specific program, rather than based on age groups, is uncertain, as is information on whether they provide regional advertising. Both of these issues can be found out when purchasing advertising time from Kutonen.