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# GameStop Corp.

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## Introduction

GameStop Corp. stands as one of the most intriguing stories in American business history—a company deeply woven into the fabric of gaming culture and, more recently, high finance. From modest beginnings as a Dallas software retailer to its evolution into the world’s largest video game retailer, GameStop’s journey reflects not only the rise of interactive entertainment but also the dramatic changes in how Americans buy, play, and engage with games. The company’s evolution mirrors decades of technological innovation, shifting consumer habits, and, most recently, the unpredictable forces unleashed by the internet and financial markets.

The story of GameStop is not a simple one of linear growth and inevitable triumph. Instead, it is marked by periods of stunning expansion, aggressive acquisition, financial turbulence, and major reinvention. Moving from Babbage’s early focus on computer software to gaming consoles, GameStop continually adapted its business model to stay relevant in a rapidly changing landscape. Its embrace of the buy-sell-trade system and its strategic forays into collectibles and gaming merchandise set it apart from other retailers, helping to foster a devoted customer base.

Yet, by the mid-2010s, the tectonic shifts toward digital downloads, online retail giants, and changing gamer preferences began to undermine its brick-and-mortar foundation. The COVID-19 pandemic only accelerated these challenges, casting doubts on the company’s very survival. It was in this climate of uncertainty that GameStop became the unlikely protagonist of a financial drama that captivated the world—the meme stock phenomenon that unfolded in early 2021. Thousands of amateur investors, leveraging the power of online communities, triggered a historic short squeeze that forced Wall Street to reckon with the newfound influence of retail traders.

The short squeeze brought GameStop to the front pages and led to Congressional hearings, drawing attention not just to the company’s stock, but to broader questions about market fairness and the democratization of investing. While the unprecedented volatility made billionaires and bankrupted hedge funds seemingly overnight, the underlying question remained: What next for GameStop itself? Could a company so steeped in the tradition of physical retail truly reinvent itself for a digital age?

In the aftermath, GameStop launched a series of transformation efforts under new leadership. The company’s pivot toward e-commerce, collectibles, and cutting-edge fields like blockchain technology represented bold steps into uncharted territory. These moves, accompanied by significant cost cutting and a renewed focus on customer engagement, have sparked both hope and skepticism in investors and

industry observers.

This book tells the full story of GameStop Corp.—from its earliest days through its dizzying highs and perilous lows, and right up to its current efforts to forge a sustainable future. Drawing on historical records, market analysis, and firsthand accounts, the following chapters chronicle not only the evolution of a singular American company but also the broader cultural and economic forces shaping the past, present, and future of interactive entertainment. Whether GameStop’s next chapter is one of resurgence or decline remains to be written—but its story thus far offers invaluable insights into innovation, resilience, and the unpredictable nature of modern capitalism.

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## CHAPTER ONE: The Birth of Babbage's: Origins in Dallas

The story of GameStop, as it exists today, begins not with the frenetic energy of a digital marketplace, but in the comparatively tranquil aisles of a software store in Dallas, Texas. The year was 1984, a time when personal computers were steadily making their way into American homes and the video game industry, though still finding its footing after the infamous crash of 1983, was brimming with untapped potential. It was amidst this landscape that two enterprising Harvard Business School classmates, James McCurry and Gary M. Kusun, decided to embark on a venture that would, decades later, evolve into a global retail giant.

McCurry and Kusun, having discussed going into business together during their Harvard days in the mid-1970s, initially pursued separate career paths. McCurry became a consultant for Bain & Company in San Francisco, while Kusun took on a role as a general merchandise manager for the Sanger-Harris division of Federated Department Stores in Dallas. However, the idea of a joint enterprise lingered, and in 1982, McCurry reconnected with Kusun, proposing a chain of software stores. Their vision was to capitalize on the burgeoning computer and home video game industries, believing that specialty stores would be the ideal marketing outlet for these growing markets.

Their initial business plan, however, wasn't met with immediate enthusiasm from venture capitalists. This changed in February 1983, when businessman Ross Perot, who had a connection to Kusun's family in Texarkana, stepped in. Perot, a visionary entrepreneur who had founded Electronic Data Systems (EDS) in 1962, saw potential in their concept. He offered a \$3 million credit line in exchange for a one-third ownership stake in the nascent company. Perot also provided crucial strategic advice, suggesting they begin with a single outlet that they would manage themselves, rather than immediately opening 20 stores. This conservative yet insightful approach allowed McCurry and Kusun to thoroughly understand the intricacies of their business before scaling up.

Taking Perot's money and advice to heart, McCurry and Kusun officially founded Babbage's in Dallas, Texas, on August 20, 1984. The name "Babbage's" was a nod to Charles Babbage, the 19th-century British mathematician often credited with conceiving the first major forerunner of a computer. The first Babbage's store opened its doors in the NorthPark Center mall in Dallas. This initial location served as a testing ground for their business strategy, which was built on four key provisions: a constantly updated mix of products, a competitive pricing system, a flexible store design that

allocated sections to various computer and entertainment system platforms and software categories, and an enthusiastic, non-commissioned sales staff trained to avoid intimidating customers with technical jargon.

The focus of Babbage's, in its earliest days, was primarily on selling computer software and hardware. However, the founders quickly recognized the burgeoning potential of the video game market. The original Atari 2600 had already captivated many households, and Babbage's began selling games for the console, quickly seeing positive results. By 1987, the company expanded its offerings to include Nintendo games, further solidifying its presence in the video game sector. The strategic shift proved prescient, as by 1991, video games constituted a significant two-thirds of Babbage's total sales, a clear indicator of where the market, and the company's future, was headed.

This early period saw Babbage's establish itself as a key player in the evolving world of interactive entertainment retail. The initial success demonstrated the viability of a dedicated software and, increasingly, video game retailer. The founders' ability to adapt their product focus to consumer demand, coupled with Ross Perot's crucial early investment and strategic guidance, laid the groundwork for what would eventually become GameStop Corp. The company's emphasis on customer service and a diverse product range set a precedent for its future growth and expansion, defining its early identity in the competitive retail landscape.

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