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Sample (Fictions) Marketing – Blue Box Marketing Plan

# VIDEO GAME KIOSK MARKETING PLAN

## Blue Box Kiosk Game Rentals

Table of Contents

Table of Figures

## 1.0 Executive Summary

Blue Box Kiosk Rentals (BBK) is an alternative video game rental/purchase choice, headquartered out of Los Angeles CA. BBK rents and sells popular video games for the most common video game platforms (Sony PlayStation, Microsoft XBOX and Nintendo Wii). BBK marketing strategy involves three target markets, 24 hour access via on-line and kiosk purchase points, and an incremental deployment strategy. BBK is establishing business in a niche that has not been previously exploited by any company. The nearest comparison is successful efforts of RedBox using the same venue to rent movies via Kiosk at convince locations.

## 2.0 Situation Analysis

BBK is a start-up company in their first year of operation. A comprehensive marketing plan will be instrumental to developing visibility and ensuring future profit and viability. BBK offers an existing product in unique delivery venue (via Kiosks located where the customers pass on a daily basis). The service rendered includes video game rentals with an option to buy or return. The additional consumer benefits include being able to rent a video game to try it out in the comfort of your own home before deciding to purchase the item. The rental the customer is given the choice of purchasing the game simply by not returning it within a set period of time. Any previous rental days on that specific game will be discounted from the purchase price for that used game. Also, when the customer returns the game, they are given the option to order the game with free mail order delivery. This product/service differs considerably from what market competition (GameStop, Amazon, Walmart & Best Buy). GameStop is closest in offering sale of used video games.

## 2.1 Market Summary

BBK has collected good information about their market and knows a great deal of information about their archetype customer. BBK will leverage this information to determine how to better communicate with and serve their customers. A good deal of this section (Market Summary) and additional statements throughout this paper are based on analysis of market statistics posted by GrapStats.com (2010).

The home video game entertainment industry has been a part of a globalized market since inception. The industry's developers, distributors and customers are dispersed across globe. Originally, video game entertainment was primarily centralized to video arcades with large bulky stand alone game consoles that each played a single game. At that time the target market consisted of minors between 8 and 21 years of age (mostly boys). Over the years, the technology evolved to a home based environment with on-line capabilities. Also, the target market has grown to include a significantly larger span of age differences. While the highest concentration of gamers is between 10 and 27 years of age (school aged individuals), a significant portion of adults with full time jobs are actively engaged in recreation via video games. Also, the appearance of video games into the family/TV room has made video gaming a family activity that involves children as young as 5 playing entertaining games with some educational value and developmental games. This younger and entertainment/educational market seems have room for future growth. At the other end of the spectrum, the over 40 crowd is no longer a stranger to playing video games after a long day's work. As the gamers of the 70s age into their 50s and beyond it is likely we'll find many retired adults with vanity plates on their vehicles referring to their favorite video game and video game consoles in retirement homes. The entertainment value gained by the customer is the same whether a game is played in New York or Tokyo and once you're hooked on gaming it is fun regardless of age. Industry members have found creative ways to take advantage of trends through product evolution and as globalization increases they will happily engage new opportunities.

### 2.1.1 Market Demographics

The profile for the BBK customer consists of the following geographic, demographic, and behavioral factors. According to the U.S. Census (2008)

Geographic:

- The geographic target is Los Angeles County.
- Target locations for kiosk placement include 7/11 and Rite Aid.
    - Both stores attract the target market in volume.
- Additionally, fast food stores like Burger King and McDonalds are prime locations.
- The U.S. Census Bureau indicates the following as of 2008
    - The land area is ~ 2,000 square miles.
    - There are 2,344 persons per square mile.
    - The total targeted population (age 6 to 65) is estimated at 9,862049.

Demographics & Behavioral Factors: The overall market includes males and females of all ages. According to Leggatt (2008), the following give a good description of gamer demographic and behavior.

- The average number of years an adult gamer has been playing is 12.
- 53% of adult gamers expect to play as much as, or more than they do now, in a decade's time.

- 69% of heads of households in the U.S. play computer and video games.
- Men play games for slightly longer than women over the course of a week, with 7.6 hours and 7.4 hours respectively.
- Of the most frequent gamers, 44% play games online.
- 58% of online game players are male, 42% female.

### 2.1.2 Market Needs

BBK provides the customer with a wide range of high quality video game rental options. BBK seeks to fulfill the following key customer benefits:

- Selection: A wide range of game rentals spanning each of the three major gamming platforms (PS, XBOX, Nintendo Wii/DS). With a selection comparable to what is available at major game stores.
- Accessibility: BBK's kiosk will be accessible 24 hours a day 7 days a week. Kiosk will be co-located with fast food restaurants and convenience stores to position the product where the target market will pass.
- Customer service: Customer service will be immediate in the case of rentals. If customer chooses to order a game from the Kiosk via mail order delivery, the customer will be impressed by immediate processing of their order, and the options for email updates on processing and mail delivery. There will also be an option to purchase overnight delivery for a reasonable fee.
- Competitive pricing: All rentals will be priced competitively relative to the competition.

2.1.3 The Market and Trends

BBK is offering a 24hour game rental & purchase Kiosk with the option to purchase used games from the Kiosk at a price that is reduced each time the game is rented to a customer. There will also be a rent to own option where the customer can purchase the rental simply by not returning it by the date where they daily fee equals the purchase price noted on their receipt. There will also be Kiosk menu options and prompts allowing the customer to purchase the game they are returning new via mail order. In this case BBK will function as a distributor for companies that make the games. This range of activities puts BBK in competition with a broad range of companies. This includes companies that sell new games (Best Buy, Block-Buster, Walmart, Toys-R-Us ). BBK will also compete with companies that sell new and used games at physical retail stores (GameStop & GameCrazy) and companies that sell new and used games on-line (Half.Com, EBay, EBGames, Amazon.com and Play&Trade.com). There are also some independent video game rental stores to consider in kiosk placement.

There is also a market trend for on-line purchasing of used games and potential for on-line rental delivery by mail. Netflix has shown good performance in the on-line rental and on-line rental/purchase via mail delivery arena. BBK will compete in this venue via BlueBox.com. This web site will have a unique menu drive appearance that is easily recognizable by the customer as the same menu they use at the kiosk and will reassure the customer they can expect the same instant customer service, credibility and dependability. This is important in establishing brand recognition and differentiating our products from our competitors.

According to Baague's (2009), there are five major trends worth paying attention to in the gaming industry. They can be summarized as the battle for the living room, the growing partnership between the movie industry and games, an increase in corporate advertising in games, growth in development in mobile games, and advancement into the next generation of virtual worlds with an ever increasing feel of reality.

### 2.1.4 Market Growth

According to GrabStats.com (2010), the entertainment software industry's annual growth rate exceeded 17 percent between 2003 & 2006. Over the same period, the entire U.S. economy grew at a less than four percent rate. There is no doubt this is a growth industry at this point in time. Further, the 24hr market was virtually unexplored in Los Angeles at the time this report was written.

## 2.2 SWOT Analysis

| Strengths, Weaknesses, Opportunities, and Threats Analysis | | | | |
|---|---|---|---|---|
| **Strengths** | **BBK Inc** | ***GameStop*** | ***On-Line Sellors*** | ***Small Local Sellers*** |
| What are your business advantages? | 24 hour access<br>Rent in privacy without sales person<br>Online access<br>Rent-to-Own Option<br>New Purchse Option<br>Convience Locations<br>Varity of Games<br>Used and New Games<br>No Overhead for Retail Store | Varity of Games<br>Used and New Games | Varity of Games<br>Used and New Games<br>24hr Access<br>Convience Location<br>No Overhead for Retail Store | Used and New Games |
| What are your core competencies? | Knowing what gamers want | Knowing what gamers want | Knowing what gamers want | |
| Where are you making the most money? | Likely 7/11 & Burger King | High Traffic Mall Locations | | |
| What are you doing well? | Data Collection and Analysis on Gamming Trends and Customer Needs | Data Collection and Analysis on Gamming Trends and Customer Needs | | |
| **Weaknesses** | | | | |
| What areas are you avoiding? | No Store Location | No Kiosk | No Store Location | No Kiosk |
| Where do you lack resources? | Funds for advertising | | Funds | Funds |
| What are you doing poorly? | unknown | Placement and Access | | Placement and Access |
| Where are you losing money? | n/a | On-line sales | To GameStop | To competitors |
| What needs improvement? | Advertisement | Placement and Access | Advertisement | market ownership |
| **Opportunities** | | | | |
| Any beneficial trends? | Growth in all area of gamming<br>Customer comfort/familarity with on-line and Kiosk Purchases/Rentals | Growth in all area of gamming<br>Customer comfort/familarity with on-line and Kiosk Purchases/Rentals | Growth in all area of gamming<br>Customer comfort/familarity with on-line and Kiosk Purchases/Rentals | |
| Niches that competitors are missing? | | Kiosk | Kiosk | Kiosk |
| New technologies? | Kiosk and realtime on-line processing of Kiosk Operations | Kiosk and realtime on-line processing of Kiosk Operations | Kiosk and realtime on-line processing of Kiosk Operations | Kiosk and realtime on-line processing of Kiosk Operations |
| New needs of customers? | Need to be able to rent games and try them out before making a purchase decision | No participation in rental of video games | No participation in rental of video games | No participation in rental of video games |
| **Threats** | | | | |
| Obstacles to overcome? | Negotiating vendor agreements<br>Market Entry Barriers and competitive activity from GameStop and other major retailers | comeptition | competition | competition |
| Aggressive competitors? | Articles aledge Gamestop is Preditory (some indications of law-suits on internet) | GameStop is the 500lb gorrilla | Articles aledge Gamestop is Preditory (some indications of law-suits on internet) | Articles aledge Gamestop is Preditory (some indications of law-suits on internet) |
| Successful competitors? | GameStop | none | GameStop | GameStop |
| Negative economic conditions? | Downturn In Economy provides a plus when considering rentals and buying used games | New game sales down used game sales up | New game sales down used game sales up | New game sales down used game sales up |
| Government regulation? | no | no | no | no |
| Changing business climate? | unpredictible | unpredictible | unpredictible | unpredictible |
| Vulnerabilities? | not established in the market | minimal | not established in the market | not established in the market |

**Figure 1 SWOT Analysis**

2.3 Competition and Buying Patterns

Currently in Los Angeles there are two different types of competitors. This section analyzes those competitors as compared to BBK.

The first is the industry 500lb gorillas. This refers to Game Stop, Block Buster. The gorillas also include on-line sellers (Amazon and Half.com). In store and on-line sellers vary in one major way (physical location). None of them are place at locations where the same numerous crowds of people walk by each and every day. All of them differ from BBK in that they lack placement at 24 hour convince locations, don't' rent video games, and none of them offer an option to rent to own games.

The other category covers the local mom & pop video game rentals/sales. These stores are small, locally-owned companies that typically cater to a neighborhood. Generally, they do not specialize in any one thing, they usually have a wide range of offerings and the bulk of their customers live within blocks of the store. Los Angeles has several of these. People make video game rental decisions based on a few factors, typically selection and convenience. If they want selection of the latest and most popular video games they go to the gorillas. If they do not rent video games that often and are more interested in convenience then they might visit the local video game store.

## 2.4 Services

BBK will provide Los Angeles with an alternative to purchasing in the game rental option, a service that is not yet offered in Los Angeles. The current offerings of typical game stores are based on popular, commercial releases and high volume returns of used games for resale. There is a market for renting a game before purchasing for those who don't want to buy a game then never use. This market (when exploited) may undercut the new game sales of competitors because it will reduce purchases of new release that turn out not to be as good as advertising indicates prior to purchase. Also, BBK may undercut the used game returns for resale by competitors in the same manner. This won't have as large an impact on BBK because BBK can still rent to those willing to try it out at minimal cost to them for the service of finding out if they like the game.

## 2.5 Keys to Success

- Varity and popularity of game selection
- Under-pricing as compared to competitors
- Advertising.
- Professionalism.
- Customer centric business model.
- Positioning

## 2.6 Critical Issues

BBK is still in the speculative stages as a company. Its critical issues are to continue to take a moderate fiscal approach; expand not for the sake of expansion but because it makes fiscal sense to. It is also critical that BBK grow into the initial target geography (LA) in preplanned stages that are bases on probability of success in those areas. As BBK grows, it should explore avenues of risk sharing through franchising.

## 3.0 Marketing Strategy

BBK's marketing strategy will be based on generating visibility of BBK with its targeted population segment. This will be achieved through though and strong but brief multi-faceted advertising campaign. The campaign will utilize advertisements in a local art/entertainment weekly guide, advertisements at the local artsy movie theatre, and promotional activities with a couple of local restaurants that have similar demographics. Once a market presence is established the BBK Kiosk itself will function as a advertising tool.

## 3.1 Mission

BBK Kiosks' mission is to provide the customer with new and used video games that are popular and in demand. In doing so, BBK wants to provide alternatives to buying new games via rental and used purchase options so that every individual can enjoy video games they normally wouldn’t pay full price for. We exist to attract and maintain customers. Our services will exceed the expectations of our customers by allowing them to play video games that they never expected to have a chance to enjoy.

## 3.2 Marketing Objectives

- Establish market presence across Los Angeles county by 1 Jan 2011
- Establish and maintain a customer base that includes 80% probability of initial customer's repeating use of the service
- Decrease new customer acquisition costs by 10% per year beginning after the first year
- Increase brand equity, measured by the number of new customers that are already familiar with BBK and their niche before initial use of a Kiosk

## 3.3 Financial Objectives

- Profitability by 20 months
- 25% growth (measured in number of customers) after second year of operation.
- 5% decrease in overhead costs per year for the first three years

## 3.4 Target Marketing

BBK's customers can be divided into three general groups that are differentiated by age (6-13, 14-27, and over 27).

- Primary Market (14-27): This market segment has a diverse interest that has overlaps with the over 27 crowd. The under 27 video games might have more of a concentration on action, violence, drugs, sex, etc. BBK doesn't encourage or imply that the video games are about these subjects solely; just that statistics indicate this age group is more attracted to games with subject matter relating to these topics.  BBK will put the strongest energy and most creative marketing in this age group. Organization of gamming competitions with sponsorships and promotion of sponsors will provide a venue where BBK will gain serious brand loyalty and recognition.

- Secondary Market (6-13): This market will involve targeting of the children's parents through advertising of educational and developmental video games that develop traditional skills like reading, writing and arithmetic along with the benefits of non-traditional development like the tactile skill and health benefits development Wii offers in games like Wii Fit. A separate menu option will be available at the kiosk and on-line for children and their parents to encourage a family friendly environment.
- Tertiary Market (Over 27): This market segment has a bit more mature tastes, the humor may be more sophisticated, they are more likely to enjoy a some of the toned down video games and also some of the more military and strategy related games. BBK will consider this a tertiary market and be opportunistic in marketed to this segment. That is, we will take advantage of low cost opportunities to include this segment in our marketing efforts.

3.5 Positioning

BBK will position themselves as an alternative to the large sales driven environment of the retail store conglomerates that own the market and drive cost to cover their large overhead. BBK product offering is based on the need of Los Angeles busy schedule, lengthy commutes, and heavy use of convince and fast-food locations. Physical positioning will include cost the property owners. The preferred method of settlement for their space will be sharing a percentage of sales. On-line positioning will include purchase of key-word searches and this cost must be considered in finances.

3.6 Strategy Pyramids

The marketing strategy will first seek to create a zone presence and customer awareness regarding the services offered, develop the customer base, and work toward building customer loyalty and referrals. The Kiosk menu will include a button that brings up options to refer a friend by typing in their email address and having your next rental discounted if the person you refer makes a rental or purchase from any kiosk. The message that BBK will seek to communicate is that they offer a quality, independent, customer focused alternative to the large retail and on-line establishments.

3.7 Marketing Mix

BBK's marketing mix is comprised of the following approaches to pricing, distribution, advertising and promotion, and customer service.

- Pricing: BBK's pricing scheme will be based on maintaining a competitive price relative to the giants. In addition, we will offer several discounting options.
    - Purchase price of the used games at a given kiosk will be based on number of times a game has previously been rented and the purchase price will be printed on the receipt.
    - The rent to own purchase option will place the date at which the daily rental fee will cover the purchase value of a given rental and notice that they will own the game at that point. This puts the buying decision into a different perspective that the one made on the retail floor of our competitors. A customer will decide to buy a game by not returning it. This means a person will have to actively decide to not buy a game by bringing it back to a kiosk before they feel the have reached the point where they might as well purchase the game. Factors like laziness, the

desire to go one more level, children asking for just one more night and simply not having enough time will all increase the number of purchase decisions. When a customer finds himself greatly, moderately or even slightly enjoying a game…they will more often than not procrastinate themselves into a buying decision.

- Distribution: All of the services will be distributed through BBK's Kiosk or the U.S. mail and parcel shipping companies like FedX and UPS.
- Advertising and Promotion: The most effective and successful advertising will be those placed popular gamming magazines and on-line.
- Customer Service: Customer will be able to get person to person service via a 1-800 number on the BBK Kiosk and their receipt. All concerns will be resolved with the highest priority.

3.8 Marketing Research

During the initial phases of the marketing plan development, several focus groups (discussions with friends, co-workers and passer-bys) were held to provide BBK with insight into customer preferences. These discussions provided BBK with a generous amount of information regarding the attributes of the target markets. Additionally, data has been collected via several internet based sources. This data has been analyzed and considered in the compilation of this plan. Some of this data can be viewed in the appendices of this document.

4.0 Financials, Budgets, and Forecasts

Several options were reviewed in consideration of the best path to an effective video game rental kiosk platform. BBK eventually settled on working with a single company According to INTOUCH's website (2010), they offer development solutions for kiosk hardware and software design along with rental options for the hardware once developed. By taking advantage of the hardware rental options (and retaining proprietary software options), BBK was able to drastically reduce the per-unit developmental cost. The scope of this plan covers deployment of 200 BBK Kiosk to the Los Angeles community and the following break even analysis is based on figures developed with that in mind.

4.1 Break-even Analysis

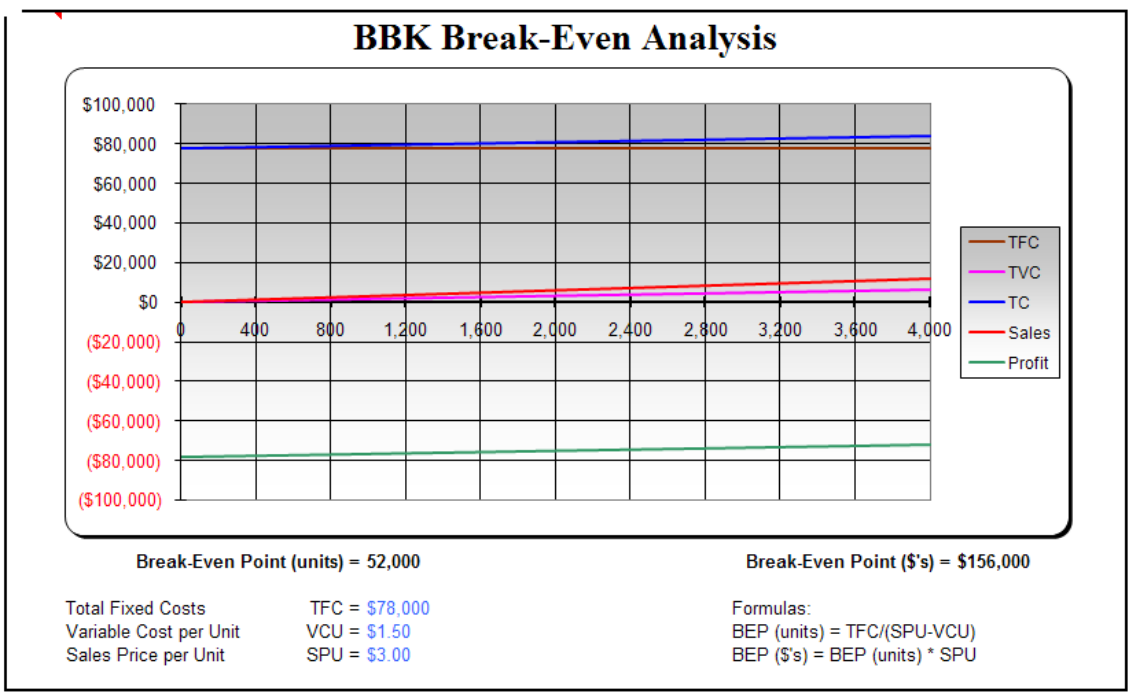


**Figure 2 Break Even Analysis**

## 4.2 Sales Forecast

BBK projects sales to reach the break-even point when the total sales equal $156,000. This will occur when Kiosk rentals hit 52,000 units rented. This point of where BBK becomes profitable is projected to occur 20 months after execution of plans begin. Additional research is underway to determine the break-even points for activities involving used game sales and new game sales via the web and kiosk.

## 4.3 Expense Forecast

As BBK is a start-up company, a predictive analysis with best/worst case scenarios was accomplished. The actual analysis can be viewed in appendix (Figure 6 Predictive Expense Analysis). Based on developmental risk, BBK allowed for a variation of $14,000.00 in year one expenses. This variation computed $44,000 of operating income at close of year one under the best case scenario of $200,000 net sales. Inversely, BBL computed an operating income of $23,800 under the worst case scenario of $19,800. Reference the figure in Appendix B for additional data.

## 5.0 Controls

The purpose of BBK's marketing plan is to serve as a guide for the organization. The following areas will be monitored to gauge performance:

- Repeat business
- Customer satisfaction (via customer surveys sent to customer emails as provided)
- Revenue: quarterly and annual
- Expenses: quarterly and annual

## 5.1 Implementation Milestones

The following milestones identify the key marketing programs. Cost, schedule and performance are critical for each of the milestones.

- March 2010: Marketing, Business and Financial Plans Accomplished
- May 2010: Vendor negotiations (Nintendo, Sony & Microsoft
- Jun 2010: Placement agreements negotiated with 7/11, Right Aid & Burger King
- June 2010: Remainder of funding Obtained
- July 2010: Kiosk deployed to test market (5% of Highs Flow LA Convince Locations)
- Aug 2010: Deployment of Kiosk to additional 20% of target locations
- Oct 2010: Deployment of Kiosk to additional 25% of target locations
- Dec 2010: Deployment of Kiosk to remaining 50% of target locations

## 5.2 Marketing Organization

Seth Haigh is responsible for all marketing BBK decisions.

## 5.3 Contingency Planning

Difficulties and risks:

- Problems negotiating agreements with game companies to sell/rent their games
- Entry into a market that has large competitors with an established customer base
- High space requirement for a Kiosk to carry the top games of three major game platforms

# APPENDIX A Market Statistics

| Stat Name | Data |
|---|---|
| Number of households with next generation video game consoles in 2012 | 190 million households will use a next-generation video game console in 2012 |
| % of expected 2012 households with next generation consoles that are connected to the Internet | 80% of an expected 190 million households, 148 million households, with next generation video game consoles will have this console connected to the Internet. |
| % of connected 2012 video game consoles that will use console-based video services at least once a week | 75% of connected-console households – more than 110 mln – will use console-based video services at least a couple times each week. |
| U.S. computer and video game software sales | U.S. computer and video game software sales grew six percent in 2007 to $9.5 billion – more than tripling industry software sales since 1996. |
| % / percent of American households that play computer or video games. | Sixty-five percent of American households play computer or video games. |
| The average game player age and how long they have been playing | The average game player is 35 years old and has been playing games for 13 years. |
| The average age of the most frequent game purchaser | The average age of the most frequent game purchaser is 40 years old. |
| % / percent of all game players that are women. | Forty percent of all game players are women. In fact, women over the age of 18 represent a significantly greater portion of the game-playing population (33 percent) than boys age 17 or younger (18 percent). |
| In 2008, % / percent of Americans over the age of 50 that played video | In 2008, 26 percent of Americans over the age of 50 played video games, an increase from nine percent in 1999. |
| % / percent of heads of households that play games on a wireless device, such as a cell phone or PDA, up from 20 percent in 2002. | Thirty-six percent of heads of households play games on a wireless device, such as a cell phone or PDA, up from 20 percent in 2002. |
| % / percent of all games sold in 2007 that were rated "E" for Everyone, "T" for Teen, or "E10+" for Everyone 10+. | Eighty-five percent of all games sold in 2007 were rated "E" for Everyone, "T" for Teen, or "E10+" for Everyone 10+. For more information on game ratings, please see www.esrb.org. |
| % / percent of game players under the age of 18 report that their parents are present when they purchase or rent games. | Ninety-four percent of game players under the age of 18 report that their parents are present when they purchase or rent games. |
| % / percent of parents that believe games are a positive part of their children's lives. | Sixty-three percent of parents believe games are a positive part of their children's lives. |
| Growth in the entertainment software industry from 2003 to 2006. | Growth – From 2003 to 2006, the entertainment software industry's annual growth rate exceeded 17 percent. Over the same period, the entire U.S. economy grew at a less than four percent rate. |
| | |
| GDP – In 2006, the entertainment software industry's value added to U.S. Gross Domestic Product (GDP). | GDP – In 2006, the entertainment software industry's value added to U.S. Gross Domestic Product (GDP) was $3.8 billion. The industry also makes a disproportionate contribution to the real growth of the nation as whole. For example, in 2005-06 the industry's contribution to real growth exceeded its share of GDP by more than four to one. |
| direct employment for the entertainment software industry for the four-year period 2002-2006 | For the four-year period 2002-06, direct employment for the industry grew at an annual rate of 4.4 percent. |
| Number of people directly and indirectly employed by Computer and video game companies. | Computer and video game companies directly and indirectly employ more than 80,000 people in 31 states. |
| Number of American jobs projected to by provided by entertainment software companies by 2009. | By 2009, it is projected that the industry will support over a quarter of a million American jobs. |
| The average salary for direct employees in the entertainment software industry | The average salary for direct employees is $92,300, resulting in total national compensation of $2.2 billion. |
| Top 5 States with the highest concentration of video game jobs. | Top 5 States – California, Washington, Texas, New York and Massachusetts currently have the highest concentration of video game jobs. Collectively, these areas directly employ 16,604 workers and post 70 percent of the industry's total indirect employment. |
| The largest employer of computer and video game personnel in the United States. | California – California is the largest employer of computer and video game personnel in the nation, accounting for approximately 40 percent of total industry employment nationwide. These companies provided over $1.8 million in direct and indirect compensation to Californians last year. California's computer and video game industry grew by 12.3 percent last year, nearly three times faster than the state's overall growth and added $1.7 billion to the state economy. |
| Entertainment software industry impact on New Jersey economy. | Other States – New Jersey witnessed a boom in industry growth in recent years as computer and video game companies have expanded beyond New York City. Virginia's entertainment software industry, meanwhile, grew by 552 percent in 2006, with computer and video game companies adding $28.7 million to the Commonwealth's economy. |
| Computer and video game units sold and revenue in 2007. | Computer and video game companies posted records sales in 2007. The industry sold 267.8 million units, leading to an astounding $9.5 billion in revenue. Of these sales: |
| Game console software sales in 2007. | Game console software sales totaled $6.6 billion with 153.9 million units sold; |
| Computer games sales and units sold in 2007. | Computer games sales were $910.7 million with 36.4 million units sold; and, |
| Portable software sales units sold in 2007. | There was a record $2.0 billion in portable software sales with 77.5 million units sold. |
| Average number of games sold every second of every day of 2007 | On average, nine games were sold every second of every day of 2007; |
| Best selling video game title of 2007 | Halo 3, the best-selling title of 2007, took in more revenue in its first day of sales than the biggest opening weekend ever for a movie ("Spider-Man 3") and the final "Harry Potter" book's first day sales; and, |

**Figure 3 – Market Statistics**

| | |
|---|---|
| Portable game units sold in 2007 | The entertainment software industry sold over 13.4 million portable game units in 2007, easily trumping the much-hyped Apple iPhone, which sold just four million units. |
| | |
| Fastest growing entertainment software category in 2007 | The genre with the greatest growth was "Family Entertainment," which grew 110 percent over the previous year. Family games accounted to 17.2 percent of all games sold in 2007, more than one of every six games sold, up from 9.1 percent in 2006. In addition, of the games sold in 2007, 56.6 percent were rated "Early Childhood (EC)," "Everyone (E)" and "Everyone 10+ (E10+)." The NPD Group's data also indicates that only 15 percent of games sold last year were rated "Mature (M)." |
| Average Age of Computer and Video Game Players | The average game player age 35. |
| Ages of Computer and Video Game Players | 25% under 18 yrs, 49% 18-49yrs, 26% 50+ yrs |
| % of American Households that play computer or video games | 65% of American households play computer or video games |
| Gender of Computer and Video Game Players | 40% female, 60% male |
| Average Age of Computer and Video Game Buyers | The average age of the most frequent game purchaser is 40 |
| % of computer or video game players that are women, age 18 or older | Women age 18 or older represent a significantly greater portion of the game-playing population (33%) |
| % of computer or video game players that are male, aged 17 or younger | Boys age 17 or younger (18%) |
| Average time gamers have been playing computer or video games | 13 is the average number of years adult gamers have been playing computer or video games |
| % of gamers who play games with other gamers in person | 59% (2008), 56% (2007), 51% (2006) of gamers played with others |
| % of homes in America that have a video game console | 38% of homes in America have a video game console |
| 2007 Computer and Video Game Sales by Rating | 45% (Everyone), 12% (Everyone 10+), 28% (Teen), 15% (Mature) |
| Top-Selling Video Game Genres in 2007 by Units Sold | 4.7% (Strategy), 4.3% (Adventure), 4.5% (Fighting), 17.6% (Family), 7.6% (Role Playing), 12.1% (Shooter), 8.3% (Racing), 14.1% (Sports), 22.3% (Action), 0.7% (Flight), 0.5% (Arcade), 1.0% (Children), 2.3% (Other) |
| Top-Selling Computer Game Genres in 2007 by Units Sold | 33.9% (Strategy), 5.0% (Adventure), 14.3% (Family), 18.8% (Role Playing), 11.6% (Shooter), 1.5% (Racing) 2.5% (Sports), 2.6% (Action), 2.2% (Flight), 0.9% (Arcade), 3.5% (Children), 3.0% (Other) |
| Top-Selling Video Games of 2007 | 1.(Halo 3), 2. (Wii Play With Remote) 3. (Call Of Duty 4: Modern Warfare) 4. (Guitar Hero 3:Legends Of Rock(PS2)) 5. (Super Mario Galaxy) 6. (Pokemon Diamond Version), 7. (Madden NFL 08 (PS2)), 8. (Guitar Hero 2 (PS2)), 9. (Assassin's Creed), 10. (Mario Party 8), 11. (Pokemon Pearl Version), 12. (Madden NFL 08 (X360)), 13. (Guitar Hero2 (X360)), 14. (Guitar Hero 3:Legends Of Rock (X360)), 15. ( New Super Mario Bros), 16. (Brain Age 2), 17. (Guitar Hero 3:Legends Of Rock (Wii)), 18. (God Of War 2), 19. (Legend Of Zelda), 20. (Mario Kart) |
| Top-Selling Computer Games of 2007 | 1.(WORLD OF WARCRAFT: BURNING CRUSADE EXPANSION PACK), 2. (WORLD OF WARCRAFT) 3. (THE SIMS 2 SEASONS EXPANSION PACK) 4. (CALL OF DUTY 4: MODERN WARFARE) 5. (SIM CITY 4 DELUXE) 6. (THE SIMS 2), 7. (COMMAND & CONQUER 3: TIBERIUM WARS), 8. (THE SIMS 2 BON VOYAGE EXPANSION PACK), 9. (MS AGE OF EMPIRES III), 10. (THE SIMS 2 PETS EXPANSION PACK), 11. (THE ORANGE BOX), 12. (WARCRAFT III BATTLE CHEST), 13. (STARCRAFT: BATTLE CHEST), 14. (BATTLEFIELD 2142), 15. ( THE SIMS 2 DELUX), 16. (HALO: COMBAT EVOLVED), 17. (THE SIMS 2 UNIVERSITY EXPANSION PACK), 18. (THE SIMS 2 H&M FASHION STUFF EXPANSION PACK), 19. (BIOSHOCK), 20. (LORD OF THE RINGS ONLINE: SHADOWS OF ANGMAR) |
| % of the time parents are present at the time games are purchased or | 94% of the time parents are present at the time games are purchased or rented. |
| % of parents believe games are a positive part of their children's lives. | 63% of parents believe games are a positive part of their children's lives. |
| % of the time children receive their parents permission before purchasing or renting a game. | 83% of the time children receive their parents permission before purchasing or renting a game. |
| % of the time parents monitor the games their children play | Parents report always or sometimes monitoring the games their children play 88% of the time. |
| Top Four Reasons Parents Play Games | 72% (It's Fun For The Entire Family), 71% (Because They're Asked To), 66% (It's A Good Opportunity To Socialize With The Child), 50% (It's A Good Opportunity To Monitor Game Content) |
| % of parents that believe that the parental controls available in all new video game consoles are useful. | 75% of parents believe that the parental controls available in all new video game consoles are useful. |
| % of parents that place time limits on video game playing. | 80% of parents place time limits on video game playing. |
| | |
| % of parents that place time limits on Internet usage. | 72% of parents place time limits on Internet usage. |
| % of parents that place time limits on television viewing. | 71% of parents place time limits on television viewing. |
| % of parents that place time limits on movie viewing. | 65% of parents place time limits on movie viewing. |
| Gender breakdown of those who play games online | 56% (male), 44% (female) |
| % of most frequent game players that say they pay to play online games | 22% of most frequent game players say they pay to play online games. |
| Type of Online Game Played Most Often | 11% (Persistent Multi-Player Universe), 14% (Downloadable games such as Bejewled), 16% (Action/Sports/Strategy/Role Play), 47% (Puzzle/Board/GameShow/Trivia/Card), 12% (Other) |
| Number of Americans Who Play Games on Wireless Devices | 36% of heads of households report they play games on wireless devices such as a cell phone or PDA, up from 20% in 2002 |

**Figure 4 - Market Statistics Continued**

| | |
|---|---|
| Video Game DOLLAR Sales (2006 and 2007) | $6.46 billion (2006), $8.64 billion (2007) |
| Computer Game DOLLAR Sales (2006 and 2007) | $0.98 billion (2006), $0.91 billion (2007) |
| Computer and Video Game Dollar Sales (2006 and 2007) | $7.4 billion (2006), $9.5 billion (2007) |
| Video Game UNIT Sales (2006 and 2007) | 201.8 million (2006), 231.5 million (2007) |
| Computer Game UNIT Sales (2006 and 2007) | 39.7 million (2006), 36.4 million (2007) |
| Computer and Video Game UNIT Sales (2006 and 2007) | 241.6 million (2006), 267.9 million (2007) |
| U.S. Computer and Video Game DOLLAR Sales (1996-2007) | 2.6 billion (1996), 3.7 billion (1997), 4.8 billion (1998), 5.5 billion (1999), 5.6 billion (2000), 6.1 billion (2001), 6.9 billion (2002), 7.0 billion (2003), 7.3 billion (2004), 7.0 billion (2005), 7.4 billion (2006), 9.5 billion (2007), |
| U.S. Computer and Video Game UNIT Sales (1996-2007) | 73.8 million (1996), 108.8 million (1997), 152.4 million (1998), 184.5 million (1999), 196.3 million (2000), 210.3 million (2001), 225.8 million (2002), 240.9 million (2003), 249.5 million (2004), 229.5 million (2005), 241.6 million (2006), 267.9 million (2007) |
| Number of Americans Who Plan to Buy Games in 2008 | 41% of Americans have purchased or plan to purchase one or more games in 2008 |
| Amount of complimentary product purchases stimulated by the entertainment software industry each year | The entertainment software industry stimulates complementary product purchases of roughly $6.1 billion a year. |
| Amount in HD TV sales attributed to the Xbox 360 video game console | $73 million in HDTV sales can be directly attributed to the XBox 360 game console |
| Added value to GDP by the entertainment software industry | In 2006, the entertainment software industry's value added to U.S. Gross Domestic Product (GDP) was $3.8 billion |
| Number of indirect and direct persons employed by the computer and video game industry | Computer and video game companies directly and indirectly employ more than 80,000 people |
| Number of jobs projected by the computer and video game industry in | By 2009, it is projected that the industry will support over a quarter of a million American jobs. |
| Average salary of a direct employee in the computer and video game | The average salary for direct employees is $92,300, resulting in total national compensation of $2.2 billion. |
| Top 5 states with the highest concentration of computer and video game employees | Top 5 States – California, Washington, Texas, New York and Massachusetts currently have the highest concentration of video game jobs. |
| Number of employees in the top 5 states with the highest concentration of computer and video game employees | Collectively, these areas directly employ 16,604 workers and post 70 percent of the industry's total indirect employment. |
| Largest employer of video and computer game personnel in the US and number of people employed | California is the largest employer of computer and video game personnel in the nation, accounting for approximately 40 percent of total industry employment nationwide. |
| Amount of direct and indirect compensation to Californians in 2007 | These companies provided over $1.8 million in direct and indirect compensation to Californians last year |
| Amount of portable software sales in 2007 | There was a record $2.0 billion in portable software sales with 77.5 million units sold. |
| Number of video and computer games sold every second of every day in | On average, nine games were sold every second of every day of 2007 |
| Biggest opening sales weekend for a video game | Halo 3, the best-selling title of 2007, took in more revenue in its first day of sales than the biggest opening weekend ever for a movie ("Spider-Man 3") and the final "Harry Potter" book's first day sales. |
| Number of portable game units sold in 2007 | The entertainment software industry sold over 13.4 million portable game units in 2007, easily trumping the much-hyped Apple iPhone, which sold just four million units. |
| U.S. video game sales in January 2009 | U.S. video game sales were up 13% in January 2009, to $1.33 billion. |

**Figure 5 - Market Statistics Continued**

APPENDIX B Predictive Analysis

***BBK Kiosk***

**6200 XYZ Drive**
**ABC, California 00000-0000**
**Phone: (000) 000-0000**
**FAX: (000) 000-0000**
**E-mail: someone@xyz.com**

**February 14, 2010**

## *Predictive Expense Analysis*

| 2010 Predictive Analysis | What-if | Actual | Change |
|---|---|---|---|
| **Net Sales** | $200,000 | $190,800 | $9,200 |
| **Total Expenses** | $156,000 | $170,000 | ($14,000) |
| **Operating Income** | $44,000 | $20,800 | $23,200 |

| Type of Expense | Actual Expense Value | Change Expense: To a Value of: | Change Expense: By Difference: | Change Expense: By Percentage | Percentage Of Actual Expenses |
|---|---|---|---|---|---|
| Net Sales | $1,960,000 | $1,960,000 | $0 | 0.00% | 60.05% |
| Direct Material Cost | $320,000 | $320,000 | $0 | 0.00% | 9.80% |
| Direct Labor Cost | $300,000 | $300,000 | $0 | 0.00% | 9.19% |
| Other Direct Costs | $125,000 | $125,000 | $0 | 0.00% | 3.83% |
| Executive Salaries | $190,000 | $190,000 | $0 | 0.00% | 5.82% |
| Advertising | $50,000 | $50,000 | $0 | 0.00% | 1.53% |
| Auto & Truck Expenses | $30,000 | $30,000 | $0 | 0.00% | 0.92% |
| Depreciation | $5,000 | $5,000 | $0 | 0.00% | 0.15% |
| Employee Benefits | $3,000 | $3,000 | $0 | 0.00% | 0.09% |
| Home Office Business Expenses | $1,000 | $1,000 | $0 | 0.00% | 0.03% |
| Insurance | $3,906 | $3,906 | $0 | 0.00% | 0.12% |
| Bank Charges | $2,133 | $2,133 | $0 | 0.00% | 0.07% |
| Legal & Professional Services | $1,000 | $1,000 | $0 | 0.00% | 0.03% |
| Meals & Entertainment | $4,000 | $4,000 | $0 | 0.00% | 0.12% |
| Office Expense | $6,000 | $6,000 | $0 | 0.00% | 0.18% |
| Retirement Plans | $1,000 | $1,000 | $0 | 0.00% | 0.03% |
| Rent - Equipment | $3,000 | $3,000 | $0 | 0.00% | 0.09% |
| Rent - Office & Business Property | $8,750 | $8,750 | $0 | 0.00% | 0.27% |
| Repairs | $1,000 | $1,000 | $0 | 0.00% | 0.03% |
| Supplies | $1,000 | $1,000 | $0 | 0.00% | 0.03% |
| Taxes - Business & Payroll | $1,000 | $1,000 | $0 | 0.00% | 0.03% |
| Travel | $6,230 | $6,230 | $0 | 0.00% | 0.19% |
| Utilities | $11,974 | $11,974 | $0 | 0.00% | 0.37% |
| Office salaries | $90,000 | $90,000 | $0 | 0.00% | 2.76% |
| Employee benefits | $43,000 | $43,000 | $0 | 0.00% | 1.32% |
| Payroll taxes | $18,000 | $18,000 | $0 | 0.00% | 0.55% |
| Sales and Marketing | $14,000 | $14,000 | $0 | 0.00% | 0.43% |
| Telephone and telegraph | $6,000 | $6,000 | $0 | 0.00% | 0.18% |
| Stationary and office supplies | $2,110 | $2,110 | $0 | 0.00% | 0.06% |
| Interest | $16,250 | $16,250 | $0 | 0.00% | 0.50% |
| Depreciation | $32,500 | $32,500 | $0 | 0.00% | 1.00% |
| Amortization | $1,250 | $1,250 | $0 | 0.00% | 0.04% |
| Bad debts | $100 | $100 | $0 | 0.00% | 0.00% |
| Postage | $5,557 | $5,557 | $0 | 0.00% | 0.17% |
| Contributions | $0 | $0 | $0 | 0.00% | 0.00% |
| Other Expenses | $0 | $0 | $0 | 0.00% | 0.00% |
| Total All Expenses | $3,263,760 | $3,263,760 | $0 | 0% | 100% |

**Figure 6 - Predictive Expense Analysis**

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