



STRATEGIC MARKETING PLAN FOR TAKE-TWO
INTERACTIVE, INC.



Take-Two Interactive has continued record-breaking sales with their premier franchise, Grand Theft Auto. What strategy should Take-Two Interactive utilize in order to diversify their revenue so as not to rely on the success of the franchise as heavily?

A thesis submitted to Anglo-American University for the degree of Bachelor in Business Administration with an emphasis in Marketing and Communication.

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Declaration

I hereby declare that no portion of the work referred to in this thesis has been submitted in support of an application for another degree, or qualification thereof, or for any other university or institute of learning.

I declare that this thesis is my independent work. All sources and literature are cited and included.

I also hereby acknowledge that my thesis will be made publicly available pursuant to Section 47b of Act No. 552/20005 Coll. and AAU's internal regulations.

Steven Wilson

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Abstract

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Motivation: The researcher chose Take-Two Interactive (TTWO) because of its high-quality products that he has interacted with for over 10 years. This has developed motivation to understand the business and management side of the industry instead of simply as a consumer. The purpose of the thesis is to provide methods for the company to diversify their revenue streams.

Problem Statement: TTWO is a well-established company within the video game industry and makes some of the most popular products throughout. Its success is also its weakness however since their most popular product, *Grand Theft Auto V*, has been their primary source of income. If they were to fail to deliver on future installments in the franchise then this would lead to significant trouble for the company as a whole.

Approach: Recommendations will be made based on secondary and exploratory research conducted with insight provided by the researchers own perspective when appropriate. Various marketing tools will be utilized to analyze the internal and external environments such as

Results: Take-Two Interactive suffers from narrow revenue streams despite their success with products. The research suggests that entering different markets and implementing different pricing strategies may be key to continue success for the TTWO.

Conclusion: For TTWO to establish a more secure financial base, they must enter the Asian market or develop a product for the mobile gaming segment, ideally both. Implementing the micro-transaction pricing model, to generate more incremental revenue, is also crucial for the company.

Dan Ravick Fiala

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GLOSSARY OF TERMS

Developer – Company that focuses on the development of video game titles

Publisher – Company that finances developers covering their marketing and fixed costs for game development in exchange for a large portion of the profits of the finished product.

Role-Playing Game – A game in which the player controls a protagonist in a typically linear story.

Shooter Game – A game which mechanics are primarily focused around firing various firearms

Adventure Game – A game that allows a player to experience the “world” that has been built by the developers in a non-linear manner.

Game Engine – the underlying software that is created to dictate a games mechanics such as physics.

LIST OF ABBREVIATIONS

ATVI	-	Activision-Blizzard
EA	-	Electronic Arts
E-sports	-	Electronic Sports
GTA	-	Grand Theft Auto
IP	-	Intellectual Property
PC	-	Personal Computer
PLC	-	Product Life-Cycle
PS	-	PlayStation
SMP	-	Strategic Marketing Plan
SP	-	Strategic Profile
TTWO	-	Take-Two Interactive
VR	-	Virtual Reality
YOY	-	Year-over-Year

CHAPTER I - INTRODUCTION

Take-Two Interactive (TTWO) is a holding company and publisher for video game developers that focuses on acquiring and financing game development studios, acting as a publisher, so that developers may focus on the creation of their content full-time. They own Rockstar, renowned as one of the world's leading game developers, and 2K Games, which develops original content typically in annual installments in various franchises. They release titles primarily for consoles and PCs however are attempting to expand into the mobile game market. Other companies owned by TTWO are: Private Division, a company focused on funding and potentially acquiring independent game developers, and Social Point, committed to developing games for mobile platforms.

Strategic Hypothesis: TTWO relies heavily on the continued success of the GTA franchise. If TTWO follows the recommendations on how to diversify their revenue streams then they will be able to secure future operations.

1.1. Historical Background

TTWO was established in 1993 by Peter Brant and initially began as a video game developer. After initial success as a developer TTWO began acquiring several studios aggressively to increase product offering and development staff. Over this time, they would transition away from direct game development and focused on delegating these tasks to the development studios they acquired. In 2007, after several SEC investigations into the executives of TTWO many resigned and the company was eventually taken over by the shareholders. The company was then restructured and they began to streamline their business model by selling off Jack of All Games, the distribution subsidiary of TTWO, as the new management chose to outsource distribution while they focused on transitioning to a digital distribution model (McWhertor, 2009).

1.2. Company Overview

Figure 1: Company Overview

Name	Take-Two Interactive (TTWO)
Industry	Technology / Electronic Gaming and Multimedia
Headquarters	New York City, NY
Annual Revenue	1.79 Billion
Employees	4,492
Company Leaders	CEO Strauss Zelnick, CFO Lainie Goldstein

TTWO's is best established in the North American market where they generated over \$1 billion of their revenue in 2018 (Take-Two Interactive, 2018).

1.3. Personal Interest

The researcher has pursued a life-long passion for video games with large peer groups for 25 years. This has built an understanding of the fundamental aspects of video games such as quality, design flaws and strengths, pricing, business models, and community management. The researcher has chosen to delve into one of the most consistently successful companies and analyze their success to better understand what makes this relatively new industry so profitable while simultaneously being treacherous with popular developers having to close their business frequently.

1.4. Purpose

The purpose of this research is to evaluate the various international markets TTWO has in order to grow their company in a manner that does not rely on the massive, consistent success ([Game Revolution](#), 2018) of the *Grand Theft Auto* franchise. While the methodology is more complex the primary avenues available to TTWO are easier to

understand. Enter a regional market that they are currently weak in, to develop a new product that expands the product selection beyond their current, or a combination of both.

1.5. Conceptual Framework

The researcher will author a compilation of secondary research sources to create a market analysis to provide a clear understanding of the size and growth rates of video game markets and TTWO along with its main competitors in the North American market, EA & ATVI.

1.6. Methodology

“Marketing research is the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications” (American Marketing Association, 2004).

- Exploratory Research – “A research design characterized by a flexible and evolving approach to understanding marketing phenomena that are inherently difficult to measure.” (Naresh K. Malhotra, 2006)
- Descriptive Research – “Description research is used to observe and describe a research subject or problem without influencing or manipulating the variables in any way. It attempts to gather quantifiable information that can be used to statistically analyze a target audience or a particular subject. Hence, these studies are really correlational or observational, and not truly experimental.” (Center for Innovation in Research and Teaching, 2018)

1.7. Statement of Sources Consulted and Cited

This paper is comprised through various secondary sources, in both print and online format. The majority of online resources are business articles and finance websites, which have been acquired through academic search engines such as EBSCO and ProQuest as well as Google Scholar. However, multiple printed books have also been used for defining concepts and theories. More detailed secondary sources can be found under Works Cited and the Bibliography.

1.8. Structure

This thesis is structured as follows:

Chapter 1 – Introduction to the company with purpose and methodology of the researcher

Chapter 2 – Summary of the financial review of the company

Chapter 3 – Critical Sources for understanding the paper

Chapter 4 – Industry analysis and comparative analysis (451 words taken from Ch 7)

Chapter 5 – Researcher's assumptions for the paper

Chapter 6 – Evaluation of the company's current marketing plan

Chapter 7 – Evaluation of Current SMP

Chapter 8 – Implications, Justifications, and Critiques of SMP

Chapter 9 – Conclusion of all research

CHAPTER II - FINANCIAL REVIEW

Ratios	2016			2017			2018		
	TTWO	EA	ATVI	TTWO	EA	ATVI	TTWO	EA	ATVI
Gross Profit Margin	0.44	0.69	0.64	0.44	0.74	0.64	0.50	0.75	0.66
Operating Profit Margin	0.06	0.20	0.22	0.06	0.26	0.19	0.09	0.28	0.27
Net Profit Margin	-0.01	0.26	0.15	0.04	0.20	0.04	0.10	0.20	0.24
Cash Flow Margin	0.18	0.33	0.33	0.19	0.33	0.32	0.22	0.33	0.24
Return on Assets	0.00	0.34	0.06	0.02	0.24	0.01	0.05	0.23	0.10
Return on Equity	2.43	0.62	1.38	1.77	0.63	1.35	1.20	0.60	1.51
Current Ratio	1.68	1.80	1.82	1.30	2.15	1.78	1.40	2.41	2.31
Debt-Equity	3.46	1.08	0.91	2.14	0.90	0.97	1.51	0.87	0.57
Equity Multiplier	4.46	2.08	1.91	3.14	1.90	1.97	2.51	1.87	1.57

(Yahoo Finance, 2019)

Access to financial data on Yahoo! Finance is limited to the past four years. However, due to differences in Reporting Periods, EA has already submitted their 2019 10-K and thus their financials data is from 2016-2019 whereas the others are 2015 to 2018. Due to this difficulty, data is pulled only from the years that each company has in common for the available data.

2.1. Financial Analysis

TTWO's Profit Ratios are largely competitive with its competitors with the notable exception of the Net Profit Margin Ratio which has been consistently lower. However, it is trending towards meeting the competitors. TTWO has only recently begun experimenting with the newest pricing model, microtransactions, and It is likely that this is due to a degree of risk-aversion as ATVI and EA have experimented with this new pricing model with a noticeable degree of public backlash. This pricing model and the controversy surrounding it is further explained in Section 6.14. and Section 6.19.

As for Return on Assets EA appears to have a strong advantage over both ATVI and TTWO however within the video game industry assets are not a reliable indicator of success due to the largely digital nature of the products.

TTWO has the highest Return on Equity by a large margin. While it has been steadily decreasing over the period in question this is not due to reduced revenue as indeed TTWO has improved its revenue over this period. Instead what has lowered the margin is a drastic increase in shareholder equity which has increased by 256% over this time (Take-Two Interactive, 2018).

TTWO Revenue by Continent		
North America	\$1,150,155	64.15%
Europe	\$531,514	29.65%
Asia	\$111,223	6.20%
Total	\$1,792,892	

Figures in thousands (Take-Two Interactive, 2018)

TTWO's revenue is primarily derived from the North American continent with a sizeable amount also coming from the European market. Their presence in Asia is nominal which is considered in later analyses provided in Chapter 6 and onward (Take-Two Interactive, 2018).

TTWO Revenue by Segment		
Console	\$1,463,306	81.62%
PC+Mobile	\$329,586	18.38%
Total	\$1,792,892	

TTWO Revenue by Distribution		
Digital	\$1,130,946	63.08%
Physical	\$661,946	36.92%
Total	\$1,792,892	

Figures in thousands (Take-Two Interactive, 2018)

TTWO generates the most revenue from the console segment with the majority coming from digital distribution channels. Notably, TTWO does not disclose its revenue from the Mobile segment separate from its PC sales though it could be presumed this is because they have no influential products within that segment and do so to hide this fact.

TTWO's stock performance recently reached an all-time high with the price reaching approximately \$138 in September 2018 and currently has overtaken the stock price of both of their primary competitors in the North American Region, EA and ATVI. It should be noted that due to poor public relations and controversial pricing strategies (See Competitor Analysis 6.7 and 6.8) both EA and ATVI have reached a low stock price not seen since 2017 (Refer to Appendix E).

CHAPTER III - LITERATURE REVIEW

Due to lack of academic resources on the video game industry as a whole the researcher relies heavily on reports produced by Newzoo.com and the annual reports of TTWO and its competitors. Finally, when deemed reliable, the researcher will include independent analyst reports that also cover the performance of the market and relevant companies.

3.1. Marketing Strategy – TTWO

A marketing strategy is a business's overall plan for accompany to reach a market segment and turn them into customers of the product or service that the business provides. The marketing strategy informs the marketing plan, which is a document that lays out the types and timing of marketing activities (Thompson, 2010).

TTWO's current strategy is to focus on producing select, high-quality titles from their wide selection of IP and to distribute these titles via digital distribution channels in order to generate the highest possible profit margin. (Take-Two Interactive, 2018).

This strategy is supplemented by their constant observations of the market and independent developers. TTWO has begun to fund commit to funding independent developers with ambitious projects in order to become an attractive publisher of independently developed games, earning a portion of their profits while the developer still retains control of their IP wholly (Handrahan, 2017).

3.2. Market Data – Newzoo Reports

While Newzoo provides comprehensive data for many regions and companies much of the research requires the researcher to purchase a license for \$7500. Thus, the researcher is limited to the data that is provided to the public for free. Data which will be crucial to the final conclusion of the research. For example, The top 5 countries for video game spending in descending order: China, USA, Japan, Republic of Korea, and Germany (Refer to Appendix D).

3.3. Industry Trends – Various Sources

The gaming industry is extremely competitive and driven primarily on innovation followed by brand concepts with even a single failure creating opportunities for competitors to challenge established franchises. As a result of the nature of the industry, many companies rely on secrecy and thusly third-party analysts and sources are utilized to garner a better perspective of the trends of future trends of the industry.

CHAPTER IV - MARKETING AUDIT

A marketing audit is an extensive investigation of an organization’s marketing environment, activities, and internal systems. (Westwood, 2010, pg13)

4.1. PLEESTIC Analysis

“The external audit is an examination of the forces external to the company that impact upon the firm’s operations and future direction.” (Oxford College of Marketing, 2019).

Figure 2: PLEESTIC Analysis

<i>Political</i>	<ul style="list-style-type: none"> • Tariff regulations between the US and China, the two biggest markets for gaming. • Potential for a “No-Deal” Brexit may complicate business in the United Kingdom.
<i>Legal</i>	<ul style="list-style-type: none"> • Consumer data protections are the onus of the Publisher’s & many companies have had security breaches in the past.
<i>Economic</i>	<ul style="list-style-type: none"> • Strong current and projected growth in the industry.
<i>Environment</i>	<ul style="list-style-type: none"> • Movement to digital distribution continues to reduce the environmental impact of the industries products.
<i>Social</i>	<ul style="list-style-type: none"> • Controversial, mature content in select games is highly inflammatory drawing much criticism.
<i>Technology</i>	<ul style="list-style-type: none"> • Technological innovation is the definitive competitive advantage of the industry. • New platforms, such as VR, may change the demands of the market.
<i>International</i>	<ul style="list-style-type: none"> • The U.S. has some of the most distinguished video game publishers and developers.
<i>Competition</i>	<ul style="list-style-type: none"> • Digital distribution channels allow small firms to be competitive in the video game industry • Competition is primarily focused on franchises with genres making it difficult to enter a genre with a dominant established franchise

While TTWO is a globally present company the primary markets of TTWO are North America and Europe with approximately 88% of all of their income being derived from these two regions (Take-Two Interactive, 2018).

Despite the growth of the video game market companies must consider how to navigate potential disruptions of trade due to situations such as Brexit, which may fracture part of the European market, or the possible escalation of trade wars between the U.S. and China.

4.2. Porter's Five Forces

The overarching goal of competition is not to compete for sales but instead to compete for profits. By evaluating the industry as a whole you can develop a baseline for understanding performance within the industry as the industry analysis will be based on analytical facts rather simply individual elements of a company's subjective performance (Magretta, 2011).

Figure 3: Porter's Five Forces for the Global Video Game Industry

<p>Bargaining Power of Buyers MEDIUM</p>	<p>Consumers of video games are quite fickle and demanding. If a product fails to meet a consumer's standards then are quite likely to be vocal about such complaints on various online sources and spread negative word-of-mouth.</p>
<p>Bargaining Power of Sellers HIGH</p>	<p>Currently, the 5 largest customers for TTWO are distributors and they account for 70.7% of TTWO's annual revenue 2018 (TTWO Annual Report, 2018). However, some of these distributors, such as Sony and Microsoft, also develop the game consoles and thus the relationship between TTWO and distributors is symbiotic as TTWO increases sales figures for online transactions and consoles due to the popularity of the products they offer.</p>
<p>Threat of New Entrants LOW</p>	<p>While there are certainly relatively low-budget video games developed by budding development companies the amount of time, capital, and expertise to directly threaten established developers like Take-Two Interactive is monumental. Thus, the threat of new entrants on TTWO's position is low.</p>
<p>Risk of Substitutes LOW</p>	<p>While other medias such as books or movies could theoretically replace video games, the researcher not believe these are valid substitutes as they are non-interactive entertainment and video games are, above all else, interactive. A consumer must have the ability to influence the outcome of the media to directly compete with the video game industry.</p>
<p>Competitive Rivalry HIGH</p>	<p>The video game industry is ruthlessly competitive with high demand for innovation and quality. singular failure can determine the future of a franchise or a company.</p>

(Wilson, 2018)

Customer's demand for innovative experiences is often the determining factor in a purchase. Continuing to develop products utilizing new technology and developing creative story-telling methods remains the key factor that companies will need to cater to the market.

4.3. Marketing Mix

Figure 4: Marketing Mix for TTWO

<i>Product</i>	<ul style="list-style-type: none">• Video games and extended services
<i>Price</i>	<ul style="list-style-type: none">• Industry standard pricing (60\$)• Promotional offers• Micro-transactions for incremental revenue
<i>Place</i>	<ul style="list-style-type: none">• Primarily through distinct digital distribution channels (Xbox Store, PlayStation Store, Steam)• Supplemented by physical sales though this is waning
<i>Promotion</i>	<ul style="list-style-type: none">• Limited control due to distribution channels

(Take-Two Interactive, 2018)

TTWO has limited control over ‘Place’ as they do not directly control any distribution channel to their customer, instead going through partnerships with various distributors. Promotion suffers from the lack of this control as the distributors have a degree of control over the sales promotion as a result.

4.4. SWOT

SWOT is a framework that evaluates a company’s position. It starts by listing a firm's attributes under the four headings which are split across two axes; positive and negative, internal and external. Many factors must be considered and may either be a positive factor or a negative factor depending on the climate of a market. A large work force for example is considered a ‘strength’ in a growing industry however it would be classified as a ‘weakness’ in an industry that was in decline. (Investopedia, 2019).

Figure 5: SWOT Analysis

Internal Strengths	Internal Weaknesses
<ol style="list-style-type: none"> 1. Strong IP portfolio 2. Premier industry innovators 3. Strong cash flow 4. World-class design team 5. Strong partnership management 	<ol style="list-style-type: none"> 1. Reliance on <i>GTA</i>'s success 2. Reliance on third-party platforms for distribution
External Opportunities	External Threats
<ol style="list-style-type: none"> 1. Independent developers developing promising franchises 2. Growing mobile market 3. Growth of the NBA e-sports base 	<ol style="list-style-type: none"> 1. Games are a One-Time-Purchase 2. High potential for technological disruption 3. Weak influence/revenue in foreign markets

(Wilson, 2018, p. 18)

TTWO has a number of iconic IPs to include *GTA*, *Bioshock*, *Red Dead Redemption*, and many more. TTWO is the sole developer and publisher for the most profitable video game ever made. Indeed, it is the most profitable entertainment product of any kind ever made (King, 2018). With such high production quality being consistently delivered by TTWO's subsidiaries the most obvious weakness is TTWO's performance in foreign markets which as a whole generates less revenue than the North American market alone (Take-Two Interactive, 2018). Establishing alliance partnerships with developers in foreign markets is an effective method to utilize their prominent development strengths while providing TTWO with intimate cultural and market knowledge from their alliance partner.

4.5. TOWS

TOWS Matrix, derived from SWOT, analyzes the competitive situation of the company. The TOWS Matrix derives from the identified SWOT elements to develop strategic alternatives (Koontz, 2006, p. 107)

Figure 6: TOWS Matrix

	External Opportunities	External Threats
Internal Strengths	<p><u>S4+O3</u> Capitalize on the growing e-sports market by acquiring more sponsors and official NBA teams to draw more customers.</p> <p><u>S2+O2</u> Expand product offering by developing an online service for other titles, similar to <i>GTA: Online</i></p>	<p><u>S2+T1</u> Increase revenue by extending product life cycles by releasing “tool kits” that allow users to create their own game content at no cost to TTWO</p>
Internal Weaknesses	<p><u>W2+O2</u> Reduce reliance on third-party consoles by developing products for mobile devices</p> <p><u>W1+O1</u> Decrease reliance on revenue from the <i>GTA</i> franchise by acquiring new IPs to diversify revenue</p>	<p><u>W1+T2</u> To strengthen presence and shorten development time in foreign markets, acquire strategic partnerships or alliances in these foreign regions to expansion IP awareness</p>

(Revised from Strategic Profile, Wilson, 2018, pg 11)

TTWO holds several iconic IPs within the industry, however these IPs primarily appeal to North American and European markets (Take-Two Interactive, 2018). If TTWO is to become more dominant in the market they must develop a franchise that appeals to the Asian market, the largest regional market in the world.

4.6. Business Model Canvas (BMC)

TTWO’s BMC shows that they focus on delivery of cutting-edge innovation in their products that appeal to a large array of the overall market base. The company is structured in a specialized manner to deliver the demands of their consumer base efficiently and effectively. Their Private Division subsidiary effectively monitors the market for potential partners and products for potential brand and company expansions via partnerships and acquisitions (See Appendix F).

4.7. Activity System Map

“While there is limited interconnectivity within the activity map for Take-Two Interactive this is because the company compartmentalizes and specializes its different companies to serve distinctly different purposes so that an existing company does not get distracted in their primary role. The strongest element of strategic fit can be found in their management of the NBA 2K League as the different aspects of the company work together to provide services that are genuinely unique to the industry in pursuit of establishing a new category of e-sports.” (Wilson, 2018). In order to provide more insight into the inner-workings of TTWO a meeting was requested with one of TTWO’s subsidiaries, Hangar 13, located near the center of Prague however the researcher’s request was not approved (See Appendix G).

CHAPTER V - ASSUMPTIONS

Based on the heretofore research the researcher makes the following assumptions in regard to TTWO's activities, the general video game market, and how it should reach the suggested goal.

5.1. Approximations on Financial Data

Due to the highly competitive nature of the video game industry many companies do not report on the individual financial performance on many products or services aside from their most prominent successes such as the case with *GTA V*. Furthermore, how the revenue generated from a product or service is distributed among the publisher, developer, and distributor is undisclosed with only one known exception, Steam, which takes a 30% cut from all sales and then diminishes as sales increase (Valve, 2018). As a result, the researcher has been forced to make estimates on profitability or cost in different areas and will use their knowledge as a basis to create an approximation to the best of their ability.

To further complicate matters, adjacent markets such as e-sports are even more secretive making it impossible to currently value that market accurately though this is a lucrative, budding market as many companies are investing in it actively, to include TTWO.

5.2. Continued Success with Premium Products

While TTWO has certainly had a large amount of success this is due in large to the success of *GTA V*, a product developed by their subsidiary Rockstar Studios. The researcher is making recommendations under the assumption that Rockstar Studios will continue to develop high quality, successful titles in the future as they have done historically.

5.3. Anecdotal Evaluation

Due to the largely secretive nature of the industry, when necessary analysis will be provided from the life-long experience of the researcher. However, since this information will not be as well supported as other data each occurrence will be noted.

CHAPTER VI - STRATEGIC MARKETING PLAN

Despite the rampant success of their products, primarily on the console market, TTWO has failed to penetrate the mobile market in a meaningful manner. If market trends were to continue, then mobile gaming will continue to overtake the other market segments and to fail to compete in this market would put any company at a distinct disadvantage.

6.1. Corporate Strategy

A corporate strategy is a representation of a company's organizational goals and a plan of how the management will achieve them. (Porter, 1987)

TTWO is committed to innovation and quality above all, in both technology and design, for all of their IPs. It focuses on developing franchises catering to different customer demographics by age and time committed to gaming and increase the profitability of its products via micro-transactions and online gameplay. These titles are primarily internally owned and developed in order to ensure full creative control over the quality of the final product (Take-Two Interactive, 2018).

6.2. Markets and Segments

The video game market has experienced significant growth between the years 2012-2018, increasing in total value by 94% collectively. There are three primary segments to the video game industry:

- Console Gaming – Xbox, PlayStation, Nintendo, Atari
- PC Gaming – Any game designed to be played on a PC (Windows, Mac, or Linux)
- Mobile Gaming – Games designed for phones, usually in the form of an application

Figure 7: Historical Industry Growth Rate by Segment

Total Market Value (In Billions)		Console Market			PC Market			Mobile Market		
		Share	YOY	Value	Share	YOY	Value	Share	YOY	Value
2012	\$70.6	45%	-	\$31.8	37%	-	\$26.1	18%	-	\$12.7
2013	\$76.5	39%	-6.09%	\$29.8	38%	11.29%	\$29.1	23%	38.46%	\$17.6
2014	\$84.8	35%	-0.52%	\$29.7	36%	5.02%	\$30.5	29%	39.77%	\$24.6
2015	\$93.1	32%	0.38%	\$29.8	34%	3.69%	\$31.7	34%	28.72%	\$31.7
2016	\$106.5	30%	7.24%	\$32.0	30%	0.94%	\$32.0	40%	34.58%	\$42.6
2017	\$121.7	27%	2.85%	\$32.9	27%	2.85%	\$32.9	46%	31.41%	\$56.0
2018	\$137.9	25%	4.92%	\$34.5	24%	0.72%	\$33.1	51%	25.63%	\$70.3
Growth		8.51%			26.70%			453.42%		

(Newzoo.com, 2018)

6.3. Console Gaming

In 2012 and 2018, the console market fluctuated between \$31 billion to \$36 billion. While the market shows steady growth overall, growing approximately 8% in this time, due to the relatively stable revenue of the segment, the researcher concludes that this market segment is mature (CFA Analyst Prep, 2017).

6.4. PC Gaming

The PC market has seen more growth but the YOY has declined significantly between 2016-18. While inconclusive by itself, this is an indicator that the market could be reaching the maturity stage if it is not already (CFA Analyst Prep, 2017).

6.5. Mobile Gaming

The Mobile Gaming market has, by comparison, exploded in growth over this time period by increasing by 435% between 2012-2018. Apple changed the market with the release of the Apple App Store in 2008. The App Store streamlined the fundamental method of distribution to a more centralized multi-party platform where developers and customers could interact with Apple serving as the intermediary of this market (Noyons,

2013). Google would shortly follow in their footsteps releasing their own “Android Market” later that year.

6.6. Current state of the Market

Figure 8: Current State of the Market

Platform	Brief Description
Console	Stable market that has fewer new entrants relative to the market as a whole due to development and distribution costs.
PC	Currently dominated by “battle royale” genre of games with many developers working towards developing a title and ‘porting’ their games over to other platforms.
Mobile	Low barriers to entry, ease-of-access and distribution to consumers, and a wider market audience than console or PC segments since no specialized hardware purchases aside from a smart phone are necessarily has led to large-scale success of this platform. All of the top selling games for mobile devices utilize the free-to-play pricing structure and generate revenue via micro-transactions. (Think Gaming, 2019)

6.7. Competitor Analysis: Electronic Arts (EA)

EA is a company that has long been regarded by consumers with disdain and is known for acquiring successful development companies only to diminish the quality of the studio until it collapses. For the most recent examples, three EA products that have been launched with much controversy include the following:

- Mass Effect: Andromeda which is rightly viewed as a game of drastically reduced quality compared to its predecessors (Extreme Tech, 2017).
- Star Wars Battlefront 2 was widely panned for an overly aggressive pricing model centered around loot boxes (Refer to 6.14 and 6.19 for more information regarding loot boxes) (The Verge, 2017).
- Anthem, a new franchise launched by EA, was criticized for its low-quality content which was later revealed to be a result of the short development period of twelve months given to the developer Bioware

(Sinha, 2019). For comparison, *GTA V* was in development for approximately 36 months (Take-Two Interactive, 2018).

6.8. Competitor Analysis: Activision-Blizzard (ATVI)

ATVI is made up of Activision and Blizzard, companies which develop and publish their own titles independently but managed by the same executives. In regard to the Blizzard branch of the company, there have been virtually no major criticisms about the franchises and products developed. On the contrary, Blizzard has historically been one of the most well-respected developers in the video game industry world-wide. However, its development cycles have slowed-down significantly with its newest franchise, *Overwatch*, being released in 2016. A recent announcement for the next installment in one of its franchises, *Diablo*, was met with a mixture of shock and disappointment as the game was announced for the mobile platform (Kain, 2018). This announcement is logical when viewed from an executive's perspective, expanding a highly-regarded franchise into the most lucrative market segment. However, from a consumer's perspective, this is confusing as Blizzard built its well-earned reputation developing products for the PC segment and the established consumer base is not interested in such a product.

Activision manages the franchise *Call of Duty* which has been a genre leader for shooting games for since its establishment in 2003 (Caulotti, 2013). The most recent installment in the franchise also received criticism for its overly aggressive micro-transaction pricing model with all the content costing an additional \$150 to the games \$60 price tag (Yin-Poole, 2018). The management of ATVI has also fallen under scrutiny after firing approximately 8% of its workforce to reduce costs despite claiming to have had a record year in 2018 in regard to revenue (Forbes, 2019). The combined effect of these events occurring simultaneously has shaken not only investor confidence (Noonan, 2018), but also consumers.

6.9. Products/Services

As a publisher of video games, TTWO is primarily focused on developing franchises that fill an established genre: action, adventure, strategy, shooter, sports, casual, and racing. They are dominant in many of these genres with prominent franchises such as *WWE*, *NBA 2K*, *GTA*, *XCOM*, and *Bioshock* (Take-Two Interactive, 2018).

6.10. Marketing Objectives

A marketing objective is a statement about the level of performance the business intends to achieve (Zikmund, 1996).

Many of TTWO's biggest customers control the distribution channels and their respective platforms (Sony and Microsoft). These distributors act as manufacturers for all discs for their platforms as well. Sony and Microsoft offer manufacturing discounts to any developer whose product sells exceptionally well and achieves a spot in the respective "greatest hits collection" of that platform, the details of which are not disclosed to the public. TTWO always seeks to achieve this when possible to generate greater margins.

6.11. Marketing Strategies

Marketing Strategies are the logic by which the company hopes to create customer value and achieve profitable customer relationships. (Kotler, 2016)

TTWO analyzes a product's life-cycle and develops a timetable to coordinate with the distributors to continue to generate sales effectively offering the game at different price points. Authentic interest is paramount as many gamers are skeptical of marketing campaigns from companies. TTWO focuses their marketing strategy to increase product awareness, consumer engagement, and via demonstrations at gaming conventions and shows in ways that can be deemed a more authentic direct marketing method (Take-Two Interactive, 2018).

6.12. Gap Analysis

The gap analysis examines the differences in a company's objectives and achievements. This tool helps calm overly-ambitious goals, as well as encourage employees to make clear objectives (Simkin, 2008). The recommendations are listed in descending order of importance. This chart represents the opinions of the researcher and not the company's explicitly stated objectives. (Refer to Appendix I)

6.13. Product Strategies

TTWO's product management varies depending on the developer that is working on the product. Rockstar focuses primarily on internally developed titles and has delivered repeated record-breaking success with some franchises, most notably *Grand Theft Auto*. Social Point co-creates with partnerships with other companies in the mobile market exclusively, and Private Division searches for independent development teams to act as a publisher or partner in the development process. 2K, their final subsidiary, is the most varied and utilizes all of the methods of internal and external development discussed. TTWO also uses this process to evaluate independent developers for potential acquisition or partnership (Take-Two Interactive, 2018).

6.14. Pricing Strategies

The nature of pricing in the video game is speculative, with games having wide-ranging prices from "free-to-play" to subscription-based, even among the most popular of games and genres. The researcher's life-long experience with the video game market allows him to provide a concise breakdown of the different pricing models used by many companies, though prices even within these models can vary greatly.

Figure 9: Pricing Models

<u>Price Model</u>	<u>Example</u>	<u>Description</u>
One-Time-Purchase	Kerbal Space Program	Purchase once with no further fees.
Micro-transaction	Monster Legends	Often Free-to-play with additional content available. Varying price points
Subscription	World of Warcraft	Monthly fee required to play the game.
Hybrid	XCOM	Initial purchase plus additional content developed at a later date.

Note: This chart is based on anecdotal evidence via the researcher's experience.

The One-Time-Purchase model is archaic in the industry as many developers seek to increase the PLC of their games and the incremental revenue generated by the product. Increasingly fewer products utilize this model and those that do are typically developed by independent developers who do not have the reputation to demand a different model and need to recoup development costs before they can further make any further plans.

The hybrid pricing model has continued to be popular with both consumers and developers as it begins exactly like the One-Time-Purchase model, but if the game generates enough in sales an expansion for the game will be developed. Hence, the consumers do not have to risk engaging with another, less familiar franchise and the production costs for developers are drastically reduced as much of the development costs would already have been incurred. As the industry has evolved this model has become less prominent as technological advances allow developers to enhance their products incrementally without requiring a major update.

TTWO's subsidiaries develop titles utilizing every pricing model with the exception of subscription. The current market trend is that games are moving towards a micro-transactional model as it assists the developers in generating more revenue and allows customers to have some degree of control of their experience in the game and how

much money they invest into it. If a game developer chooses to create in-game advantages that are too significant there is a backlash as it is labeled as “pay-to-win”, as any difference in skill between players is overcome with enough money. Developers must be extremely cautious when implementing this pricing model as it easily backfires with the player base turning on the developer and generating massive amounts of negative PR for the franchise.

The most popular, or perhaps simply the safest, implementations of the micro-transaction pricing model typically involve paying for cosmetic changes to adjust the appearance of different aspects of the game whether it be characters, environments, or otherwise related items. The micro-transaction model can be viewed simply as an evolution of the hybrid purchasing model, but with a smaller scale that is possible due to digitalization of products rather than physical.

6.15. Place (Distribution and Customer Service) Strategies

TTWO does not participate in direct to customer sales, but instead sells their products to distributors who control the dominant platforms, Sony and Microsoft. Its top five largest customers account for over 70.7% of their revenue (Take-Two Interactive, 2018).

One of TTWO's highest priorities is to continue to move towards digital distribution channels. This includes primarily distributor-controlled methods such as the PlayStation Store and the Microsoft Store which are accessed via the Xbox and PlayStation console platforms. Digital distribution of their products would allow for reduced distribution costs and thus greater margins. This is becoming so popular that console developers Sony and Microsoft are currently discussing whether the next generation of consoles will leave out physical discs altogether in favor of an entirely digital platform (Forbes, 2019).

6.16. Marketing Communications

TTWO's marketing strategy is built upon the following cornerstones:

- Multi-level marketing campaigns utilizing traditional marketing methods such as radio, print, and television (Take-Two Interactive, 2018) while developing compelling marketing videos for online distribution channels such as YouTube, Reddit, and video game review websites such as Metacritic.
- TTWO aims to satisfy sales targets set by Microsoft and Sony to qualify for the "Greatest Hits Program" and "Platinum Hits Program" respectively. These programs allow TTWO to maintain a manufacturing cost advantage with these companies who are the largest consumers as well as the distribution channels for their products (Take-Two Interactive, 2018).
- Reinvigorates product sales by offering limited time discounts, ranging in value, at different stages of PLC (Take-Two Interactive, 2018).
- Strives to reach critical acclaim with critics in order to generate excitement and attract attention from attentive consumers.

6.17. Direct and Interactive Marketing Strategies

TTWO actively manages websites directly representing their various development studios to better engage with their consumer base. Rockstar utilizes the "Rockstar Social Club" to connect with its most committed customers and keep them updated on all news about Rockstar products and services. These websites allow consumers to interact not only with the company, but also with each other in a limited manner to create a sense of community.

6.18. Sales Strategies

It is a significant possibility that they have limited control over sales strategies, as do many developers, since the distributors such as Microsoft and Sony control the actual channels. It is reasonable to assume that negotiations would take place to discuss this between the developer and the distributor, however, the details are not publicly declared.

6.19. Ethical Considerations

Since the Columbine shooting in 1993, concerns that video games instigate violence from their consumer base have existed (Nizza, 2007). The Entertainment Software Rating Board (ESRB, n.d.) was established to monitor the industry and is tasked with verifying the contents of a video game and applying a justifiable rating for the content within. The *Grand Theft Auto* series has played a central role due to the graphic and violent nature of the game as well with players being able to perform crimes with minimal repercussions. Crimes such as, but not limited to:

- Murder
- Prostitution
- Kidnapping
- Torture
- Drug Trafficking
- Robbery

The *GTA* franchise has relatively non-existent, in-game punishments. Even when your character is 'killed' you pay a small fee and wake up in a hospital. Escaping from the police has also involved simple mechanics resulting in some criticism as crimes have no real, lasting punishment. Despite, or perhaps because of, the controversial issues that arise from the game's mechanics *GTA* has always been a record-breaking franchise and one of the most popular media products world-wide.

However, several studies have been done on the topic that elaborate on the effects of video games and violent behavior that find that there is a negative correlation between the popularity of violent video games and violent crime rates. Video games in reality assist in curbing violent behavior altogether (Cunningham, 2011).

Controversy over predatory pricing models within the industry, contained to the micro-transaction pricing model, are rampant and wide-spread enough to garner the attention of government officials and spur them to take regulatory action in the EU (Webb, 2018), as well as the US (Gravelle, 2019). The controversy is primarily about the addictive design of the game combined with the ease of micro-transaction payments with

the latest issue being “loot boxes”. Loot boxes require a player to purchase either the box or a “key” in order to receive an in-game item or reward, however, rather than a traditional micro-transaction where you select the content you wish to pay for, loot boxes provide your reward at random. This process incentivizes the consumer to repeatedly buy loot boxes until they receive the reward they desire. This has been closely compared to gambling.

6.20. Internal Marketing

Internal marketing strategies of TTWO are not disclosed to the public.

6.21. Implementation

There is no publicly disclosed information about the success of the various franchises marketing strategies. It is the researcher’s opinion that TTWO has a grasp of how to market to its customers as it habitually under-promises and over-delivers on game quality and features which generates success for sales and trust among the consumers.

6.22. Internal Marketing Organization Structure

The demand placed on innovation in the video game industry ‘bleeds’ into the internal marketing strategy for TTWO with its company emphasizing the development of skills creativity and innovation. It maintains a horizontal work structure within their distinct studios and allow its employees to participate in the creative process regardless of position, in non-technical aspects (TTWO, n.d.).

6.23. Consumer Journey Map

The consumer journey map is a depiction of how a consumer would be exposed to more information about products increasing in detail. Level 1 represents the least amount of information about a game being communicated with each subsequent level increasing in detail. (Refer to Appendix H)

6.24. Branding Strategy

Any video game's branding strategy is dependent on the franchise and the experience they wish to portray. In TTWO's case and titles such as *Bioshock* the branding is philosophical and focused on the theme of "free will of man". The brand is closely tied to the meaning or progression of humanity and is dramatic in its story. For the *Borderlands* franchise, the primary role of the game is to provide a comical depiction of a violent and nonsensical world filled with mentally unstable people. The *XCOM* series focuses on creating an air of impending doom as the game is notoriously difficult to play and penalties for making errors are high. The *NBA 2K* series aims to recreate the basketball stadium experience completely with cheerleaders, post-game commentators, and giving the player the ability to determine the players that are on their team (NBA, 2019). The experiences within each of these games are the definitive 'brand' of the product.

Tying the gaming experience as closely to the core concept as possible is paramount and it is important that the developer continue to design their games in line with the brand as it is indicative of consumer expectations. Once a franchise is established and popularized, for a company to drastically turn away from the 'brand' is heavily criticized by the consumers. The best example of this is in the latest installment in the *Fallout* franchise known as "*Fallout 76*". The game original game, *Fallout 1*, was released in 1997 and was designed around a single player experience with the player working towards resolving the central conflict while struggling to survive in a world ravaged by nuclear winter. *Fallout* has primarily utilized the One-Time-Purchase or Hybrid pricing models, however, the latest installment, *Fallout 76* released in November 2018, attempted to create a multiplayer experience that utilized the micro-transaction pricing model. These changes constituted a failure of Bethesda to stick to their brand that had been established by the previous installments of the franchise. The resulting backlash from this combined with the poor quality of the final product allowed TTWO to move in and announce a new franchise to compete in the genre, *The Outer Worlds*, less than a month after the incident (Obsidian, 2018). This change, combined with the poor development quality of the product, lead to fallout with the gaming community that was

significant enough that TTWO took advantage of the negative PR and announced a partnership with their subsidiary Private Division and the original development team for *Fallout 1*, Obsidian Entertainment. TTWO took advantage of their competitor's failure to stick to the core concepts of the titular franchise.

6.25. Product Life Cycle

The PLC of a video game is distinctly non-traditional due to games being not products that are used, but instead offer experiences. Each individual “consumes” the product at their leisure whether it be in a marathon-like manner or more slowly and as a result the most accurate measurement achievable is “hours-to-completion”. To complicate the matter further, what constitutes a “complete experience” within this industry varies with each genre. If you measure the experience of most games within the RPG genre the amount of time required, such as fifty hours, is finite as the user consumes in a similar manner to reading a book. Other genres are far more complicated especially games that offer competitive or custom experiences.

Games such as *GTA* capture hundreds or even thousands of hours from their users as the experience is designed as a “sand box”, meaning that the designers created an entire miniature world (approximately 130 sq. km for *GTA V*) with a wide-array of activities and story to uncover. If a player chooses they can instead refuse to avoid the intentionally placed activities and instead explore the world committing various crimes, a popular pastime for consumers. Rockstar, TTWO's subsidiary and developer of *GTA V*, further expanded on the experiences for players with the edition of *GTA: Online* (*GTA:O*). *GTA: O* allows users to create their own experiences, share them with the online community, and for users to interact with up to a maximum of 40 players sharing the same world.

The PLC can be unlimited as developers can continue to develop games further.

6.26. Monitoring and Control

Aside from sales performance, no publicly available information on its monitoring and control practices is known.

6.27. Recommendations and Conclusion

The purpose of this section was to evaluate TTWO's current marketing strategy. The market is still growing, however, in the most lucrative market segment, mobile gaming, TTWO is markedly a minor player at best. For the PC and console market segments, TTWO is an established market leader. TTWO and its subsidiaries are continuing to improve the PLC of its products which will increase profitability at a nominal cost. What is known about its marketing campaigns and strategies has shown them to be effective and demonstrates TTWO has a firm grasp of their consumer base and what their consumers want which has allowed them to continue to grow more within the industry, primarily in the US and EU. The chapters to come will utilize this insight to provide more detailed conclusions and recommendations.

CHAPTER VII - EVALUATION OF CURRENT SMAP

7.1. Current Strategic Marketing Plan

The preceding chapters have detailed TTWO's strategic marketing plan which this chapter will thusly evaluate. The most relevant or pressing issues will be listed at the top with the lowest priority or urgent listed at the bottom.

Advantages	Disadvantages
<p style="text-align: center;"><u>Powerful IPs</u></p> <p>TTWO has established several genre dominating, in some cases defining, franchises that secure a loyal customer base with their premier title, <i>GTA V</i>, selling over 95 million copies since its release.</p>	<p style="text-align: center;"><u>Narrow Revenue Streams</u></p> <p>With over 70% of TTWO's revenue in 2018 continuing to come from the <i>GTA</i> franchise the company is overly reliant on its success. If ever a new installment in the franchise falls short it will certainly lead to financial disruption throughout.</p>
<p style="text-align: center;"><u>Effective Marketing Campaigns</u></p> <p>TTWO's marketing campaign and strategies more accurately reflect the core concepts and branding of their games as well as improving upon the original concept. This is realized with more consumers being loyal to the various franchises.</p>	<p style="text-align: center;"><u>Limited Market Reach</u></p> <p>While TTWO's games reach an international audience, their success is primarily in the EU and the US. Thus far TTWO's efforts to expand in the Asian market have been limited to their subsidiary Social Point and mobile products, but with marginal success.</p>
<p style="text-align: center;"><u>Expansion into Innovative Products and Services</u></p> <p>TTWO has established the NBA 2K League, a joint venture with the NBA. E-sports provide competitive and budding market opportunities for companies with the resources to invest.</p>	<p style="text-align: center;"><u>Reliance on Third-Party Distribution</u></p> <p>Regardless of the platform, TTWO's products must always be delivered via a third party's device whether console, PC, or mobile. All of these platforms have established companies controlling the distribution channel and in the case of consoles the entire platform.</p>

The researcher concludes that TTWO has strong product development and marketing processes as well as financial resources, however, it is subject to the volatility of the market due to limited overall control in how its products reach their consumers and

reliance on the success of the *GTA* franchise. The continued progress towards digital should be maintained as removing physical products from the distribution channels reduces overall cost thus improving profit margins and revenue overall. It will also enable to continue to develop their products after sale through software updates which will improve the overall PLC of TTWO products. Expansion into E-sports is a potentially lucrative venture in their already established market of North America. If the co-venture with the NBA is successful then TTWO will have established the first basketball e-sports franchise which will further entrench their dominance in the North American market.

7.2. Thesis Corroboration

The video game industry is not thoroughly understood or researched and is currently undergoing a shift towards increasingly digital content. This will shift the inner workings of the industry as costs are adjusted. To answer the thesis question as accurately as possible the researcher utilized secondary and exploratory research as well as drawing on the considerable experience gained from interacting with the video game industry for 25 years. Expert evidence includes market analysis from Newson, Yahoo Finance, Alexander Osterwalder's BMC, Michael Porter's knowledge and models (to include Porter's Five Forces Framework and activity system maps). Corroborative evidence comes from various sources such as Kotaku, Steam Powered, and Forbes.

CHAPTER VIII - IMPLICATIONS, CRITIQUES, & JUSTIFICATIONS

The information within has provided enough sufficient information on TTWO's domestic and international performance within the three major segments of the video game industry. It has been relevant since the company's establishment in 1993, but has increased its influence in the industry with calculated mergers and acquisitions, such as the acquisition of Bertelsmann Music Group (BMG) Interactive which included the rights to the *GTA* franchise. This would lead to TTWO's first major financial success after they reimagined the franchise with the release of *GTA 3* in 2001 with the franchise defining the 'action-adventure' genre and consistently breaking sales records with every innovative installment thereafter. TTWO listens to their consumers and delivers what they want without greedy or misleading sales or marketing tactics. While not every franchise it holds is a financial success such as *GTA*, many are highly regarded among the gaming community due to their high quality and attention to detail. TTWO generates vastly superior profit margins compared to their competitors ATVI and EA (Refer to Chapter 2 for the figures).

The risk remains that TTWO is largely reliant on the financial success of the *GTA* franchise, however, and thus it is crucial that it diversifies their revenue streams. Since 2017, it has been working on expanding its presence in the North American region via expansions into the e-sports market with the NBA 2K venture, but they cannot longer ignore the growing Asian markets as it is growing too quickly to ignore.

8.1. Recommendations

The goal of this thesis is to recommend a lucrative route for TTWO to generate revenue outside of their dominant markets (North American and Europe) and the *GTA* franchise. The goal of all recommendations is to 'diversify revenue streams' and the metric to measure the success of these recommendations will be measured in 'sales'. TTWO has consistently earned superior profit margins to their competitors and even if it was to take reduced profit margins in a venture it would likely still continue to

outperform its competitors. To this end the researcher provides the following recommendations listed order of difficulty or risk:

Develop a New Mobile Franchise via Social Point

Justification	Objective	Tactic	Tool
TTWO has little mobile market presence while the segment continues to grow explosively.	Developing a successful franchise would greatly strengthen the company's position.	Create a new mobile franchise for a genre.	SWOT

While Social Point has been actively developing several mobile franchises, their success has been nominal. A stronger commitment to establishing a TTWO mobile franchise would be difficult to achieve but would accomplish the objective of diversifying revenue streams in the long-term. Due to the international nature of mobile gaming designing for a targeted genre would be more effective than designing for a region or culture.

Partner with a Korean Developer

Justification	Objective	Tactic	Tool
TTWO has had limited success in their Asian ventures and a Korean developer would provide valuable insider insight into the market.	Co-develop a franchise installment for the region or an entirely new franchise.	Partner with a Korean developer to utilize their cultural knowledge to develop a product for the market.	SWOT, TOWS (W1+T1)

TTWO is well established in the European and North American continents while the Asian generating marginal revenue from the Asian market. TTWO should seek to develop a title that is tailored to the Korean market for such a venture as they have a less restrictive government than China (Wang, 2018) and Japan is a heavily saturated market with many of the world's leading developers/publishers, such as Sony, Sega, and

Nintendo, already well-established and thus competition in this market would be difficult. Due to the heavy government intervention among business interactions in China this country will also not be considered as a primary target market (Commerce, 2018). With these factors taken into consideration, it is the researcher’s recommendation to build a strategy based on appealing to the Republic of Korea market around a mobile product as mobile gaming is extraordinarily popular there (Sue, 2019).

Reposition Existing Franchise in the Korean Market

Justification	Objective	Tactic	Tool
A marketing campaign for an existing franchise would be easier than developing a new franchise	Reposition an already established IP to increase attractiveness to consumers	A tailored marketing campaign for their existing mobile products	Gap Analysis

If TTWO cannot find an attractive partner within the Korean market, an alternative would be to endeavor to reposition one of their existing products in the region to make it more attractive to the consumer base. The contributing factors to the market choice remain identical to the partnership suggestion.

Partnerships within Established Markets

Justification	Objective	Tactic	Tool
TTWO already understands the North American and European markets well	Establish more franchises to compete in genres that TTWO does not already have a leading title	Partnerships with independent developers	SWOT

TTWO is already well-established in North America and are continuing efforts to improve their position in this market (Take-Two Interactive, 2018). TTWO actively monitors independent developers with their subsidiary Private Division. They are currently acting as publisher for the company Obsidian in the development of a new

franchise, The Outer Worlds, a science fiction, action, role-playing game. Continued vigilance of these lucrative opportunities within the market will assist TTWO in expanding into other genres they do not currently dominate.

Expand PLC via Further Product Development

Justification	Objective	Tactic	Tool
TTWO has succeeded in extending the PLC of their <i>GTA</i> franchise through innovative product features.	Develop more product features for other products utilizing the <i>GTA</i> improvements as a template if possible.	Invest into further Research and Development	SWOT, TOWS (S2+O2)

TTWO extended the PLC of *GTA* by implementing *GTA: O* which simultaneously allows players to create their own content as well as allowing players to share said content amongst each other, at no extra cost to TTWO. If similarly impactful product features were to be developed for TTWO's other products the PLC of their other products would increase and revenue from individual installments in a franchise as well.

CHAPTER IX - CONCLUSION

9.1. Summary of Main Points

The preceding research establishes the following:

- TTWO is more efficient at generating profit from their products than competitors.
- TTWO's subsidiary Rockstar is effectively the world's leading developer of video games based off of their success with the *GTA* franchise.
- While being well established in North America and Europe TTWO's products barely register in the Asian market.
- TTWO is at risk in the long-term with their reliance on the success of the *GTA* franchise for revenue. Diversifying their revenue streams outside of the franchise, and potentially outside of their established markets, is crucial for the security of the company.
- The aforementioned methods establish the most realistic methods of TTWO diversifying revenue within the next 3-5 years.
- TTWO has avoided controversy for many years with their last major controversy over product being over 10 years ago with the undeveloped content known as "Hot Coffee" (USA Today, 2005) and their last executive controversy in 2007 (Reuters, 2007). This has built trust among both investors and consumers for TTWO.

9.2. Research Limitations

Due to reasons discussed in [3.3](#), it is difficult to impossible to obtain detailed console, genre, franchise, or market data from the perspective of a company. Furthermore, the industry is constantly undergoing drastic changes regularly due to establishment of new genres, development of new pricing models, and technological advances to include the industry's movement away from physical products and gradual shift towards purely digital products. In lieu of more complete information the researcher relied on personal knowledge as the researcher has interacted with and followed the

gaming industry and community actively for over 25 years. The majority of this experience has been as a consumer however this has provided the researcher with critical insight into the products, consumer expectations, and consumer behavior within the gaming industry.

9.3. Future Research

To better access the Asian market TTWO should consider analyzing the successful marketing strategies of companies who are market leaders in the area. This information would both help TTWO target the Asian market more effectively with existing products and also provide insight on how to market a new franchise targeted for this market specifically. Analyzing games already dominant in the Asian market would pair well with this analysis to better understand what the consumers within the region want.

Furthermore, with the incredible growth of the mobile market research into successful mobile market products would be key to developing a TTWO product through Social Point. TTWO's strength has been their product development processes and if they could establish a product that utilizes this strength they would be able to establish themselves within this market segment.

9.4. Concluding Statements

The purpose of this thesis was to answer the questions: Take-Two Interactive has continued record-breaking sales with their premier franchise, *Grand Theft Auto*. What strategy should Take-Two Interactive utilize in order to diversify their revenue so as not to rely on the success of the franchise as heavily?

It is important for TTWO to pay attention to market trends (the rise of mobile gaming as the dominant platform), take advantage of the fact that Asian market growth is now the fastest growing market, and address their absence within the Asian market as a whole.

Furthermore, while TTWO is dominant in the Console market and is relevant in the PC market their failure to deliver a product to the mobile market will eventually become a weakness that can't be ignored. TTWO should strongly consider a partnership with a company within South Korea, the fourth largest world-wide market, in order to assist them in more successfully establishing themselves in the region.

If TTWO is successful in their e-sports endeavor they will have established an entirely new, adjacent market to their business model that they will have sole access to as they are the sole partners of the NBA with rights to develop games for the franchise. The recommendations within will assist TTWO in addressing these factors and if successful will diversify their revenue streams. By accomplishing one or several of these recommendations the security of the company will be significantly improved in the long-term.

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APPENDICES

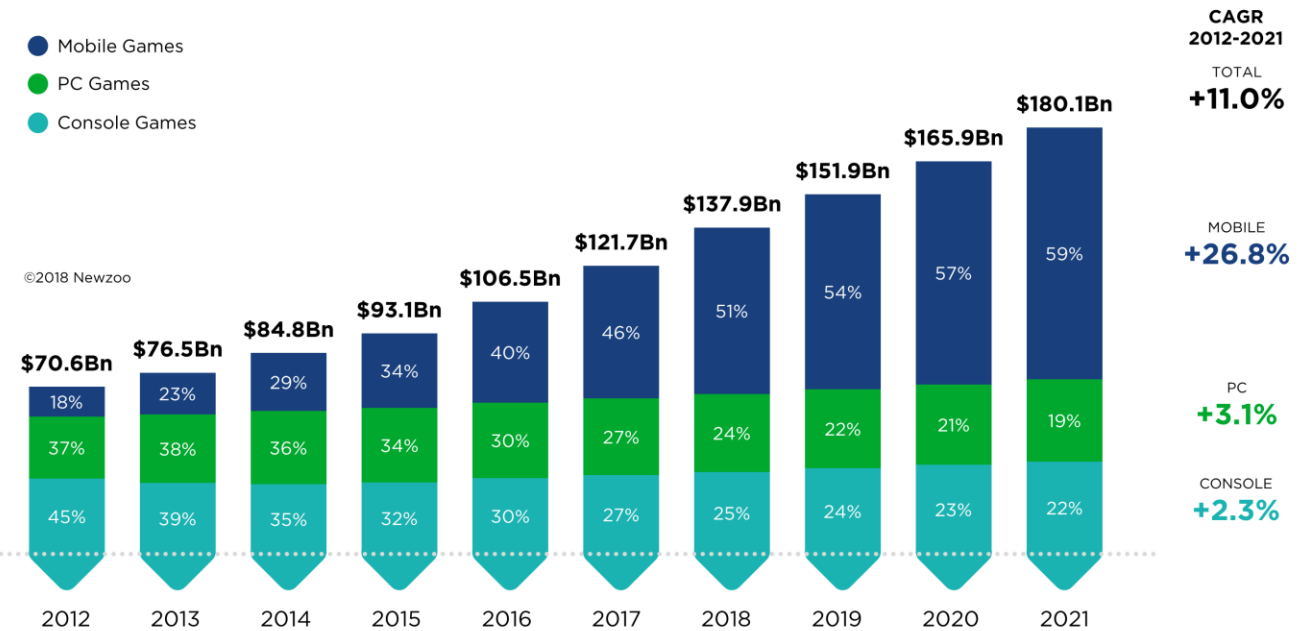
Appendix A: Global Games Market Growth by Segment



2012-2021 GLOBAL GAMES MARKET

REVENUES PER SEGMENT 2012-2021 WITH COMPOUND ANNUAL GROWTH RATES

- Mobile Games
- PC Games
- Console Games



Source: ©Newzoo | April 2018 Quarterly Update | Global Games Market Report
newzoo.com/globalgamesreport



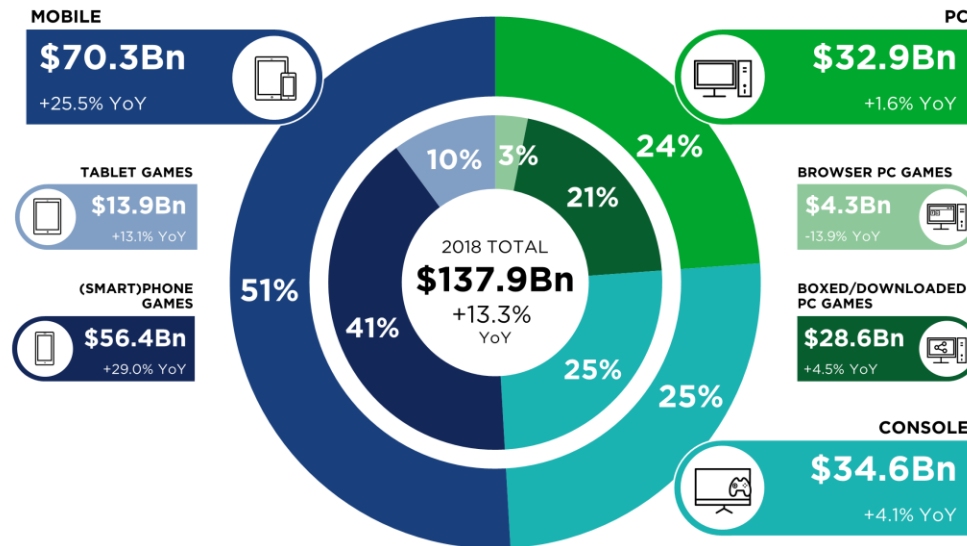
Appendix B: Growth by Platform



2018 GLOBAL GAMES MARKET

PER DEVICE & SEGMENT WITH YEAR-ON-YEAR GROWTH RATES

©2018 Newzoo



Source: ©Newzoo | April 2018 Quarterly Update | Global Games Market Report
newzoo.com/globalgamesreport



In 2018, mobile games will generate

\$70.3Bn

or **51%** of the global market.

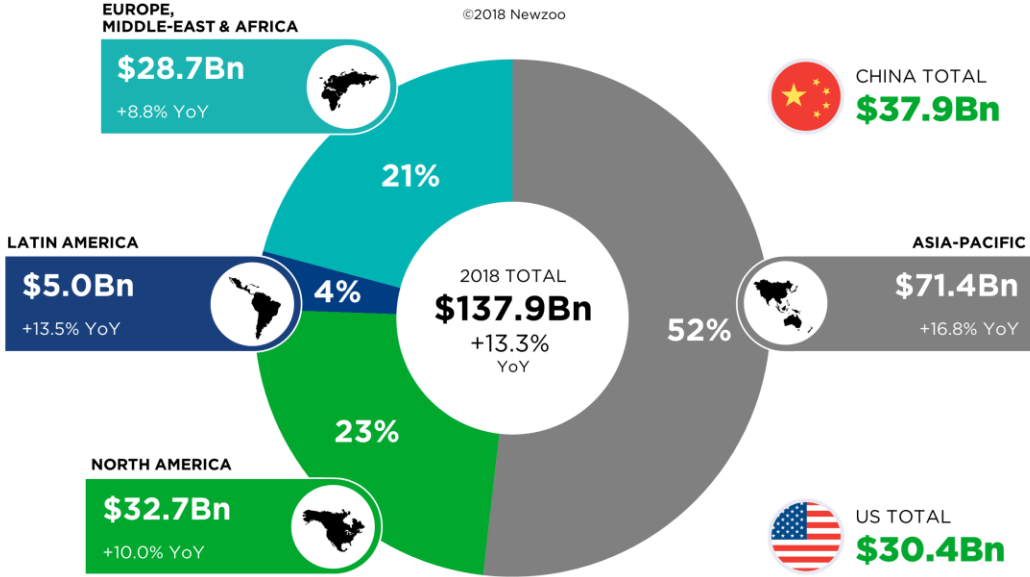
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Appendix C: Growth by Region



2018 GLOBAL GAMES MARKET

PER REGION WITH YEAR-ON-YEAR GROWTH RATES




Source: ©Newzoo | April 2018 Quarterly Update | Global Games Market Report
newzoo.com/globalgamesreport



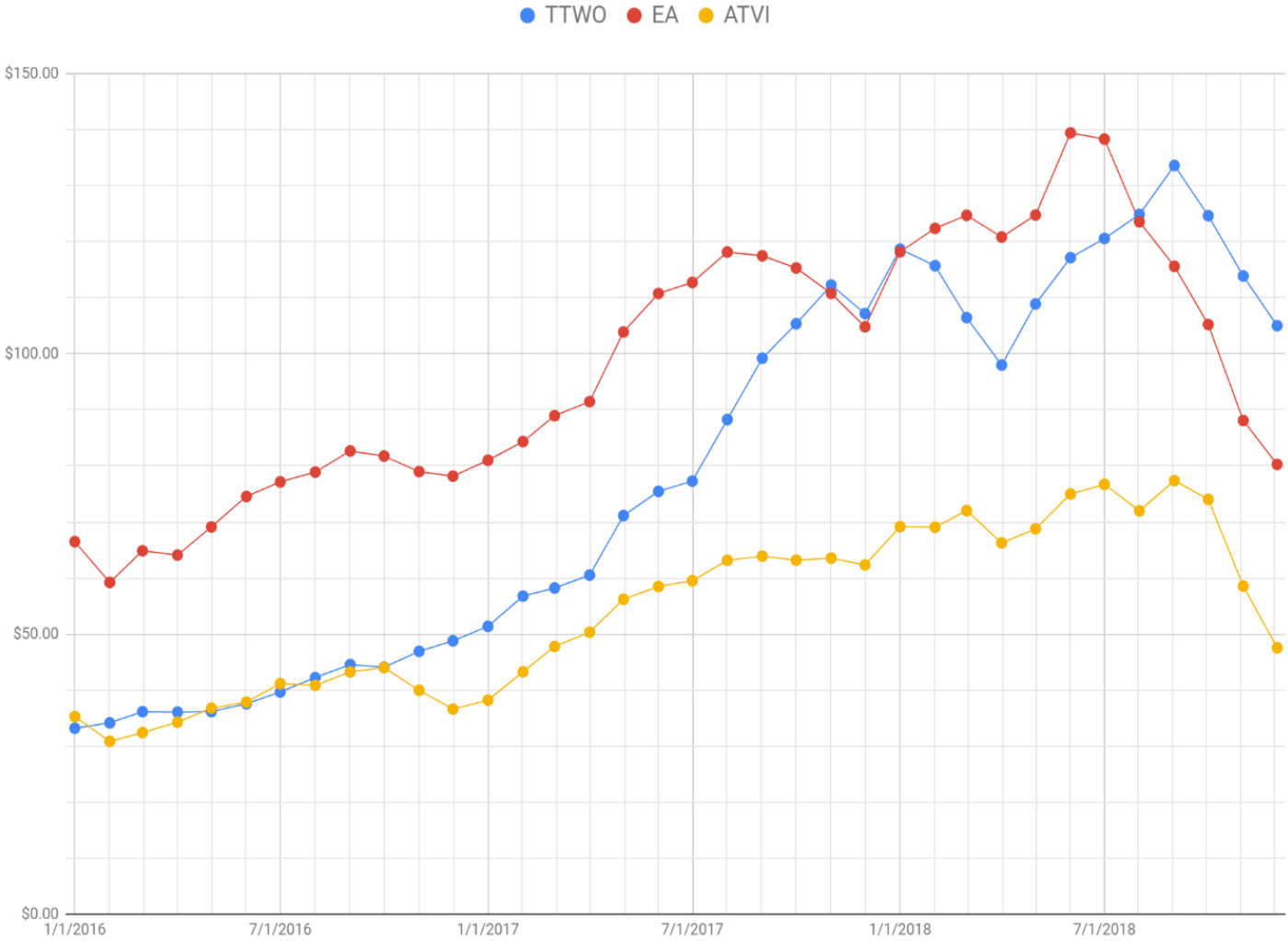
In 2018, almost
28%
of all consumer spend
on games will come
from China



Appendix D: Top 10 Countries in Gaming Revenue (Newzoo.com)

LOGO	RANK	COUNTRY	REGION	POPULATION	INTERNET POPULATION	TOTAL REVENUES IN US DOLLARS
	1	China	Asia	1,415M	850M	\$34,400M
	2	United States of America	North America	327M	265M	\$31,535M
	3	Japan	Asia	127M	121M	\$17,715M
	4	Republic of Korea	Asia	51M	48M	\$5,764M
	5	Germany	Western Europe	82M	76M	\$4,989M
	6	United Kingdom	Western Europe	67M	64M	\$4,731M
	7	France	Western Europe	65M	58M	\$3,366M
	8	Canada	North America	37M	34M	\$2,399M
	9	Spain	Western Europe	46M	39M	\$2,202M
	10	Italy	Western Europe	59M	40M	\$2,168M

Appendix E: Stock Price for EA, ATVI, TTWO 2016-2019



Appendix F: Business Model Canvas

Business Model Canvas		Designed For: <u>Take Two Interactive</u>	Designed By: <u>Steven Wilson</u>						
Key Partners	<ul style="list-style-type: none"> • Sony - Playstation • Microsoft - Xbox • National Basketball Association (NBA) • Nintendo 	Key Activities	<ul style="list-style-type: none"> • Development and Innovation of new mechanics • Cost/Investment Management • Marketing Campaigns • Developing Compelling Narratives 	Value Proposition	<p>Take Two Interactive seeks to provide mechanically innovative games with compelling stories through convenient and low cost distribution channels (digital) & acquire partnerships that extend the reach of their products</p>	Customer Relationships	<ul style="list-style-type: none"> • Limited Co-creation of Content • Game design process that focuses on tailoring franchises to specific niches 	Customer Segments	<ul style="list-style-type: none"> • Niche Market Segments <ul style="list-style-type: none"> - Hardcore - Casual - Sports
		Key Resources				Channels			
		<ul style="list-style-type: none"> • Development Studios <ul style="list-style-type: none"> - Rockstar - 2K Games - Social Point - Private Div. • Titles <ul style="list-style-type: none"> - GTA - Bioshock - Civilization - RDR 				<ul style="list-style-type: none"> • Events and Gaming Expos • Twitter, website, email 			
Cost Structure							Revenue Streams		
	<ul style="list-style-type: none"> • Marketing Campaigns • Research and Development • Administrative Costs (wages and restructuring) 	<p>Fixed 36.3%</p> <p>Variable 63.7%</p>					<ul style="list-style-type: none"> • Digital Sales • Physical Sales • Online reoccurring sales (microtransactions) • Investing profits into short-term investments 		

Appendix G: Activity System Map



Appendix H: Consumer Journey Map

Level 1	Television and Internet Adverts which are broadcasted to the entire public designed to attract attention by representing the more exciting aspects of the game such as action or spectacle.
Level 2	Console stores (PlayStation Store and Microsoft Store) that provide a narrower selection of products directly to the target market instead of the entire populace.
Level 3	Video Game review websites and magazines should be thought of as critic reviews. They are detailed and ideally objective analysis of games and the underlying mechanics which can be quite influential in the consumer journey when a consumer is unaware of the market or has not yet experienced a product but is currently seeking to purchase one.
Level 4	Community discussion boards are by far the least flashy of all the channels as they are commonly ran and moderated, entirely for free, by third party websites such as reddit.com and developer websites. This is where word of mouth comes to life for the industry as the player bases who utilize these forums are typically outspoken and passionate about the game and their experience. Players provide feedback and discuss their various experiences, problems, and share their peak moments of excitement in this online community. Representatives from companies sometimes engage with their customers here as well.

Appendix I: Gap Analysis

<u>Current Stage</u>	<u>Strategic Changes</u>	<u>Desired Stage</u>
TTWO relies heavily on the success of the <i>GTA</i> franchise accounts for 70% of their 2018 revenue.	Continue to build upon the NBA 2K League E-sports franchise and expand into other markets.	Diversify the revenue streams of TTWO without risking current revenue streams.
Product offerings within the mobile market do not stand out among competitors.	Focus on the development of innovative mobile game features.	A more competitive product in the mobile gaming market.
Low market penetration in Asian market.	Establish a strategic alliance with a developer in the South Korean market to develop a product tailored for that market.	Achieve greater market share in the Asian markets.