GameStop From Retail To Bitcoin

Idea In Short

GameStop still runs the business it has run for decades: buying used games and consoles from customers, then reselling them at a markup through thousands of stores. That trade-in model no longer defines the company on Wall Street. In January 2021, a short squeeze driven by Reddit's WallStreetBets community turned GameStop into the original meme stock, sending shares up more than 1,600% in weeks and triggering a congressional hearing. Chief executive Ryan Cohen, who built his reputation running Chewy, then stripped costs, closed stores and, in 2025, put roughly $500 million of the company's cash into Bitcoin as a treasury asset. This article covers how GameStop actually makes money today, what happened during the squeeze, and why its balance sheet now looks more like a crypto holding company's than a retailer's.

From a Dallas software shop to the largest game retailer

GameStop traces back to Babbage's, a software retailer opened in Dallas in 1984 that later merged with Software Etc. to form NeoStar Retail Group. When NeoStar collapsed into bankruptcy in the mid-1990s, Barnes & Noble chairman Leonard Riggio bought its assets for $58.5 million and rebuilt the chain as Babbage's Etc. Barnes & Noble acquired the company outright in 1999, merged it with video game retailer Funco the following year, and renamed the combined business GameStop. The company went public again in 2002 and grew into the largest dedicated video game retailer in the world, eventually operating thousands of stores across the United States, Canada, Australia and Europe.

The buy-sell-trade engine that still runs the stores

GameStop's core retail business works by buying used games, consoles and accessories from customers in exchange for cash or store credit, then reselling those items at a markup alongside new products. This trade-in program gives GameStop inventory it acquires below wholesale cost, supporting margins that new-product sales alone cannot match. Store staff assess trade-in values and can generate a sale in the same transaction, turning a single customer visit into two revenue events. The model depends on steady foot traffic and a constant cycle of new console and game releases, both of which came under pressure as more players shifted to digital downloads.

How a Reddit post turned into an investment thesis

Michael Burry, the investor known for betting against the 2008 housing market, first flagged GameStop as undervalued in 2019, but it was Keith Gill, posting as "Roaring Kitty" on YouTube and "DeepFuckingValue" on Reddit's WallStreetBets forum, who built the retail following. Gill argued the stock was oversold and heavily shorted by hedge funds betting on the chain's decline, and he kept posting screenshots of his position as it grew from roughly $53,000 to tens of millions of dollars. Ryan Cohen, the Chewy co-founder, separately built a stake of more than 10% in GameStop by late 2020 and joined the board in January 2021, adding institutional credibility to the retail-investor thesis just as it gained momentum. Gill resurfaced in May 2024 after a long silence, and GameStop shares jumped more than 70% in a single session on the news. 1

The squeeze that briefly broke Wall Street's assumptions

> GameStop shares climbed from under $20 to nearly $483 in a matter of weeks in January 2021 before losing most of that gain within days.

Short interest in GameStop had exceeded 100% of its available shares, meaning some shares had been borrowed and sold short more than once, which set up conditions for a severe squeeze once buying pressure began. 2 As the price spiked, brokerages including Robinhood restricted buying in GameStop and other heavily shorted stocks, a decision that drew scrutiny from lawmakers and triggered a congressional hearing in February 2021 where Gill, Robinhood's chief executive and hedge fund managers all testified. Several hedge funds that had shorted the stock, most notably Melvin Capital, suffered heavy losses covering their positions and required emergency capital injections to stay solvent. The episode reshaped how brokerages, regulators and hedge funds think about coordinated retail trading, even after GameStop's share price retreated from its peak.

Ryan Cohen takes control and cuts to the bone

GameStop's board fired chief executive Matthew Furlong in June 2023 and installed Ryan Cohen as executive chairman before naming him president and chief executive that September, a role he took without a salary. 3 Cohen applied lessons from building Chewy, closing underperforming stores, cutting corporate headcount and reducing inventory rather than chasing sales growth in a shrinking category. Under his leadership GameStop moved from years of operating losses to profitability, helped as much by cost discipline and a large cash balance earning interest as by any turnaround in store sales. The company also began repurchasing shares, including a $2 billion buyback authorization approved alongside its 2026 first-quarter results.

Betting the balance sheet on Bitcoin

In March 2025, GameStop's board approved adding Bitcoin to its balance sheet as a treasury reserve asset, following a strategy popularized by other public companies holding cryptocurrency as a store of value. The company purchased 4,710 Bitcoin, worth roughly $500 million at the time, that May, funding the purchase partly through a $1.5 billion convertible notes offering rather than existing cash flow. 4 Cohen described the move as a hedge against currency debasement and inflation rather than a bet on short-term Bitcoin price appreciation. 5 The position sits alongside a cash reserve of several billion dollars, giving GameStop a capital structure that now resembles a holding company with a retail operation attached rather than a pure retailer.

Collectibles overtake games as the top seller

GameStop's product mix has shifted decisively toward collectibles, which include trading cards, action figures, apparel and other pop culture merchandise rather than games or consoles. In the first quarter of fiscal 2026, collectibles generated $348.9 million, nearly 42% of total net sales, up from about 29% a year earlier, making it the company's largest single category and helping drive the highest quarterly operating income in its history. 6 Hardware, accessories and software sales continued to decline as more players buy digital downloads directly through consoles rather than physical discs from a store. That shift explains why GameStop has kept closing stores even as the company overall returns to profitability, treating remaining locations more as fulfillment and trade-in points than as pure sales floors.

Competing against Amazon, Best Buy and digital storefronts

GameStop competes with broad retailers such as Amazon and Best Buy, both of which sell games and consoles alongside far larger product catalogs and, in Amazon's case, without the overhead of thousands of physical stores. It also competes with digital storefronts run directly by console makers, including Sony's PlayStation Store and Microsoft's Xbox marketplace, which let customers buy games without visiting any retailer at all. In collectibles, GameStop faces competition from specialty retailers and online marketplaces such as eBay, where collectors already trade cards and figures directly with each other. GameStop's remaining advantage lies in its trade-in program and physical footprint, which digital-only competitors cannot replicate, giving customers a way to convert old hardware and games into cash or credit on the spot.

Key Partners

GameStop depends on video game publishers and console manufacturers such as Sony, Microsoft and Nintendo, whose new releases drive store traffic and trade-in volume. Technology and consumer electronics brands including HyperX, Razer and Asus supply the accessories GameStop sells alongside games and hardware. Collectibles suppliers and licensors, covering franchises from major entertainment studios, now represent an increasingly important partnership category given the category's growing share of revenue. Distribution and logistics partners keep physical inventory moving between GameStop's warehouses and its remaining store network.

Key Activities

GameStop's core activities include procuring new and used inventory, operating retail stores and its e-commerce site, and running the buy-sell-trade program that generates below-wholesale inventory. Store operations and staff training remain central since employees both process trade-ins and advise customers on purchases, a role that combines sales and appraisal functions. Treasury management has become a distinct activity since the company began holding Bitcoin and a large cash reserve, requiring financial oversight beyond typical retail cash management. Cost control, including store closures and inventory reduction, has been a consistent activity since Ryan Cohen took over as chief executive.

Key Resources

GameStop's retail store network and e-commerce platform remain its primary customer-facing resources, even as the company reduces the number of physical locations. Its brand recognition among gamers and collectors, built over decades, continues to draw trade-in traffic that competitors without a comparable used-goods program cannot easily replicate. The company's cash reserves and Bitcoin holdings now function as a financial resource in their own right, generating investment income and providing capital flexibility beyond store operations. Vendor relationships with publishers, console makers and collectibles licensors give GameStop access to inventory that smaller specialty retailers cannot secure at the same scale.

Value Propositions

For gamers, GameStop offers a place to trade in used games and hardware for cash or credit, lowering the cost of staying current with new releases. For collectors, the company provides access to licensed merchandise and limited pop culture items that are increasingly difficult to find through mainstream retailers. Its physical store network gives customers same-day access to products and trade-in value that online-only competitors cannot match. The company's scale as the largest dedicated video game retailer still gives it purchasing leverage and product selection that smaller independent shops lack.

Customer Relationships

GameStop maintains relationships through its PowerUp Rewards loyalty program, which offers points, discounts and early access to new releases in exchange for repeat purchases. In-store staff build relationships around the trade-in process, since consistent, fair valuations encourage customers to return rather than sell through online marketplaces. The Game Informer magazine, historically bundled with loyalty memberships, functioned for years as a way to keep customers engaged with GameStop content between store visits. Online community engagement, including social media, has become more important as the company's retail investor base pays close attention to company announcements independent of typical customer relationships.

Channels

GameStop sells through its network of physical retail stores, which remain the primary channel for trade-ins and same-day purchases. Its website and mobile app support online ordering, including for collectibles and pre-orders of upcoming game releases. Social media channels have become unusually significant for GameStop compared with typical retailers, given the attention its stock and brand receive from retail investor communities. Affiliate and marketplace listings extend GameStop's reach to customers who might not otherwise visit a store or its own website.

Customer Segments

Core gamers who regularly buy, sell and trade in games and consoles remain GameStop's foundational customer segment. Collectors purchasing trading cards, figures and licensed merchandise have grown into the company's largest segment by revenue, a shift from its historical identity as primarily a game retailer. Casual customers buying consumer electronics accessories or gifts represent a smaller but steady segment supported by GameStop's broad in-store product selection. Retail investors who hold GameStop shares form a distinct constituency that follows the company's capital allocation decisions, including its Bitcoin purchases, as closely as its retail performance.

Cost Structure

Cost of goods sold, covering the games, hardware and collectibles GameStop purchases for resale, remains its largest expense category. Store lease and operating costs have declined as the company has closed underperforming locations, though remaining stores still require staffing, utilities and maintenance. Corporate overhead and administrative costs fell sharply after Ryan Cohen's cost-cutting program reduced headcount and consolidated functions. Interest expense on the convertible notes issued to fund Bitcoin purchases adds a cost line that a traditional retailer's balance sheet would not typically carry.

Revenue Streams

Collectibles sales now generate the largest share of GameStop's revenue, followed by hardware and accessories, with software and game sales continuing to decline as a proportion of the total. A smaller but increasingly relevant revenue stream comes from investment income on the company's cash reserves and any realized gains connected to its Bitcoin holdings.

- 1GameStop and AMC surge as Roaring Kitty resurfaces

- 2GameStop short squeeze mechanics and market impact
- 3GameStop fires CEO and installs Ryan Cohen as executive chairman
- 4GameStop announces purchase of 4,710 Bitcoin
- 5GameStop's Bitcoin strategy explained by CEO Ryan Cohen
- 6GameStop posts record profit driven by collectibles sales

Summary

GameStop today runs three businesses layered on top of one another: a shrinking core retail chain, a stock that trades partly on meme momentum rather than earnings, and a treasury strategy built around Bitcoin and a large cash pile. Collectibles sales, not games or hardware, now generate the largest share of revenue, a shift that would have seemed unlikely when the company was known mainly for used copies of the latest console releases. Ryan Cohen has been explicit that the Bitcoin position is meant as an inflation hedge rather than a speculative crypto bet, though the market has not always drawn that distinction. Whether GameStop ends up remembered as a retailer that successfully reinvented itself or as a case study in how meme-stock capital got redeployed will depend on decisions still ahead: how much further to shrink the store footprint, whether to add to the Bitcoin position, and whether collectibles can keep growing once the current wave of pop-culture merchandise demand cools.