Natalie Chan, Jakarta Robinson, Cyrus Abdo, Matty Schwartz, Xander Guarna
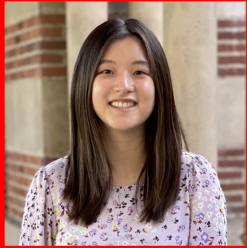
GameStop
Event Risk Report

Presented to:
Strategic Planning & Capital Allocation Committee
Audit Committee

Meet the Team

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Table of Contents

Event Description

GameStop Invitational

- ❖ 1 day Esports Tournament
- ❖ Variety of games played and live streamed
- ❖ Winner becomes newest brand ambassador for GameStop!
- ❖ Arena inside Luxor Hotel in Las Vegas, Nevada
- ❖ Expected physical attendance: **1,000 guests**

Participating Gamers

TimTheTatman

TFue

DrLupo

Myth

Pokimane

Nickmercs

Venue Assets

Arena Capacity: **1,000**

Tangible Assets:

- ❖ Luxor Management & Staff
- ❖ Hotel guests & event attendees
- ❖ Participating talent
- ❖ PC Equipment

Intangible Assets:

- ❖ Brand Reputations of Luxor Hotel, GameStop, HyperX
- ❖ IP of licensed games
- ❖ Brand Images of various gaming streamers and influencers
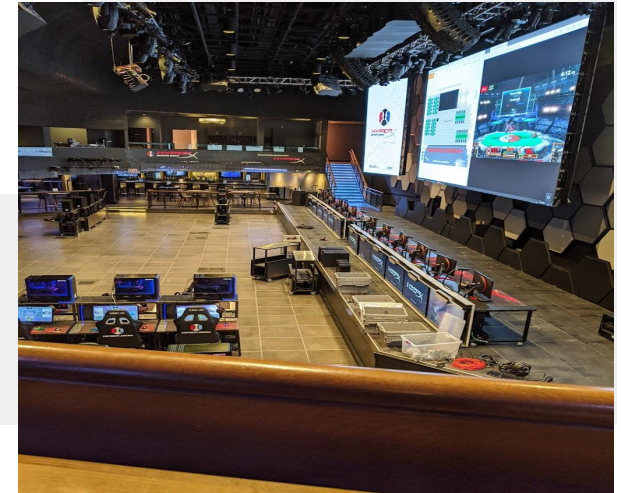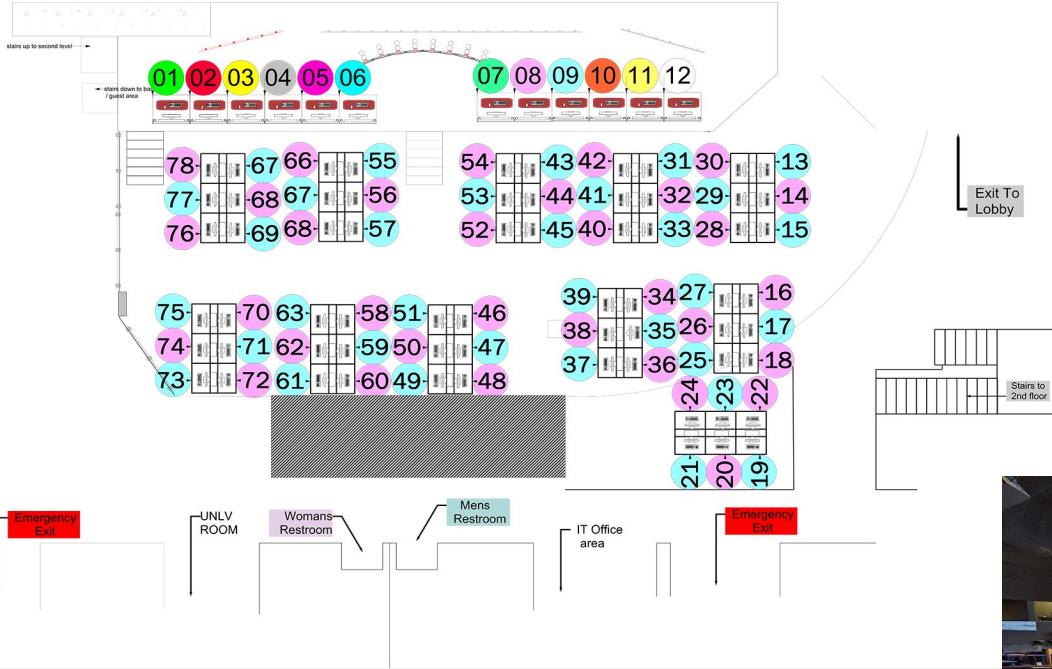
Venue Profile & Arena Layout

1st Risk — Technical Difficulties

2nd Risk — Venue Security

3rd Risk — Reputational Risk

4th Risk — Low Viewership

5th Risk — Crowd Management

Top 5 Risks
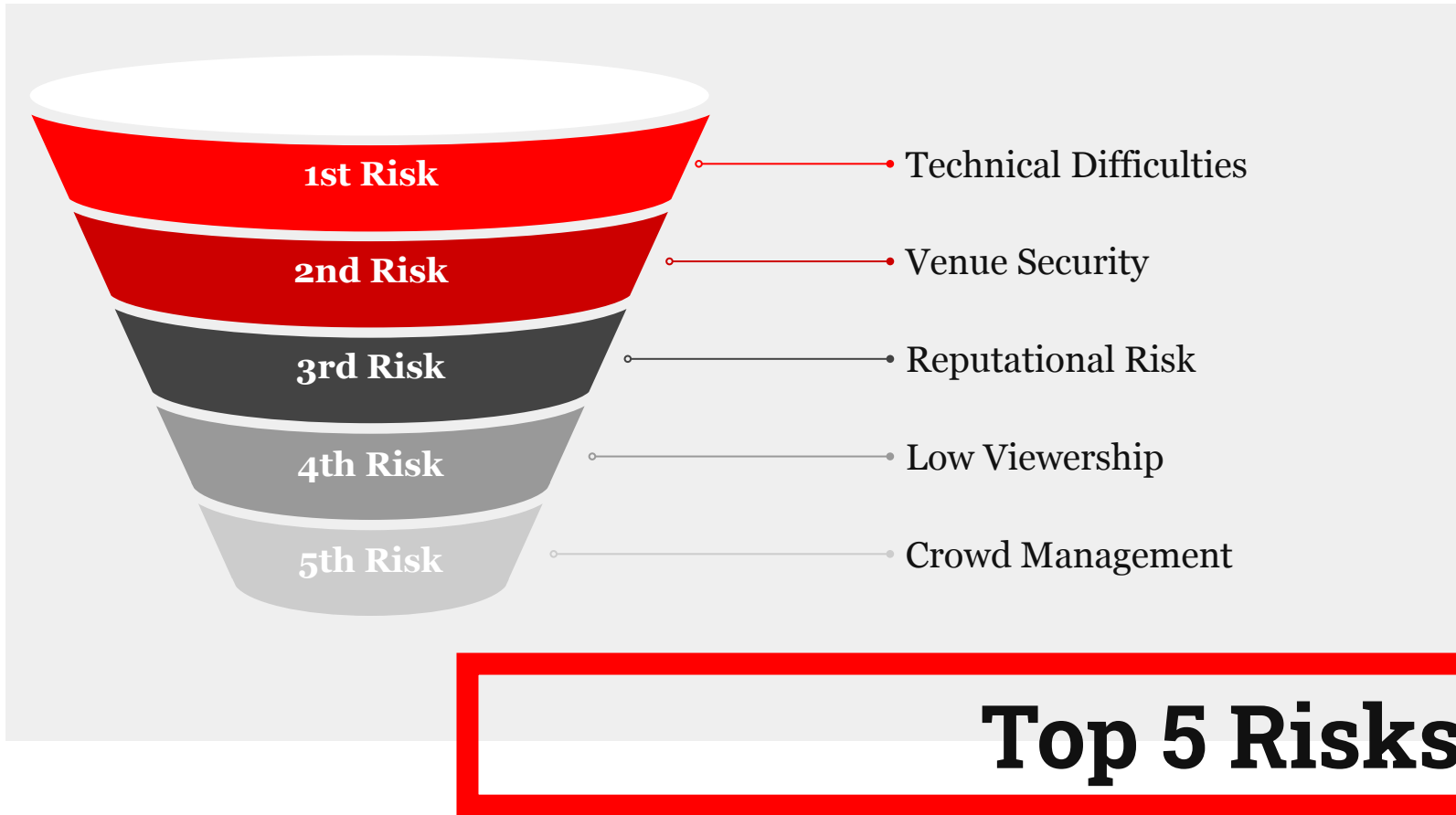
Risk #1: **Technical Difficulties**

For an esports tournament, many forms of technical difficulties can arise ranging from equipment failures, internet/power outage, and server overloads/glitches.

Likelihood:
- Rapid technological advancements
- Nature of the problem: "technical and logistical issues"
- Variety of stakeholders responding to changes in rules and regulations

Impact:
- Approximately 1 in 7 US internet users will watch Esports in 2023
- US Esports viewers will surpass 45 million in 2023
- "Sudden shutdown after a blackout is the primary danger to a computer's health"
- "A power surge will overload and fry the electronics within your PC"

Impact Rating:	**Likelihood Rating:**	**Inherent Risk Rating:**
Very High	**High**	**High**

Controls: **Technical Difficulties**

1. **Duplication:**
   ➢ Establish secondary internet connections and backup servers in addition to purchasing/storing spare PC equipment within arena perimeters for easy accessibility prior and during event operations. GameStop's IT and Finance Division is responsible for purchasing and installing additional hardware as necessary. Effective **August 1, 2023** to **November 1, 2023**.

2. **Prevention:**
   ➢ For emergency preparedness, enforce routine maintenance on all gaming systems and mandate detailed inspection of any equipment and furniture upgrades prior to the event. GameStop's Operations Division and tournament regulators will collaborate in conjunction when conducting these required equipment checks. Effective **September 1, 2023** to **November 4, 2023**.

3. **Risk Transfer:**
   ➢ An event cancellation insurance policy protects GameStop if the tournament must be postponed and even canceled due to unforeseen circumstances. GameStop's Finance Department is responsible for purchasing this liability coverage related to venue management from a specialty insurance career. Effective **May 31, 2023** to **December 31, 2023**.

Control Effectiveness:
High

Residual Risk Rating:
Low

12

Risk #2: **Venue Security**

➢ The addition of cybersecurity should be heavily considered for an esports event like this, as any unruly fan/gamer behavior can be a massive risk.
➢ "Cheating, hacking and piracy are challenges for 81% of esports stakeholders, with both esports streamers and event organizers reporting the issues as moderate or major concerns."
➢ With Cybercriminals still a significant issue, strong cybersecurity is needed to mitigate the impact these criminals can have on gamers, gaming tournaments, and the overall esports market.

Risk #2: **Venue Security**

Additionally, Physical Security is still a necessity at any large scale event.

Likelihood:
- "Most respondents believe fan behavior is worse than it was 10 years ago, and 65% indicated that COVID-19 restrictions caused increased tension between patrons and staff."
- While risks increase with the number of people, specifically post-COVID-19, it is essential for security to act swiftly and effectively when needed

Impact:
- "From barely an afterthought, venue security has grown into a best practice that impacts an event's success." Venues that put on big events heavily rely on security to ensure safety, as not doing so can be detrimental to all parties

Impact Rating:
High

Likelihood Rating:
Low

Inherent Risk Rating:
Low

Controls: **Venue Security**

1. **Prevention:**
   - ➢ Hire an additional security group, such as Fast Guard Service, who are also willing to take a cybersecurity awareness training program to assist in preventing any potential cyberattacks. GameStop's HR department should begin hiring process by **May 1, 2023** and conclude by **June 1, 2023** to allow over two months of preparation for the tournament.
2. **Seperation:**
   - ➢ Spread our newly guards from Fast Guard Service in every possible entrance along the exterior of HyperX Arena to maximize production and minimize the risk of any issues inside the arena. GameStop HR department should initiate hiring process on **July 28, 2023** and finalize by **August 4, 2023** as two weeks is adequate time to instruct security on final positions at Luxor.
3. **Detection:**
   - ➢ Hire SecPod, a proven cyber security technology company, that can detect and remediate vulnerabilities early in development. Hiring process initiated by GameStop's HR and IT department in addition to conducting tests starting **June 1, 2023** to **July, 13, 2023**.

Control Effectiveness:
High

Residual Risk Rating:
Low

Risk #3: **Reputational Risk**

- Shortcomings in event operations can hurt reputation
- Poor management of Celebrities and Talent
  - Misconduct by celebrity guests can ruin reputation
  - Shortcomings by GameStop Staff of ensuring guests are taken care of can hurt reputation

  Likelihood:
  - Regarding Twitch, "With so many categories and an abundance of different content, it can be difficult for any one person to keep up with the controversies…"
  - Controversy in the gaming sphere is fairly prevalent

  Impact:
  - Being associated with problematic figures hurts brand image
  - Talent being mistreated leads fans to believe company doesn't care

Impact Rating:	Inherent Risk Rating:	Likelihood Rating:
High	**High**	**Low**

Controls: **Reputational Risk**

1. **Prevention:**
   ➢ Conduct thorough background checks on celebrities prior to formally inviting talent to the event. Effective **June 15, 2023** to **September 1, 2023.** Additionally, create and enforce behavioral guidelines that celebrities must follow leading up to the event. Guidelines should be created no later than from **June 1, 2023 to June 15, 2023** by GameStop's HR and Corporate Governance committee.

2. **Detection:**
   ➢ GameStop's Operations Division should continue to conduct behavioral monitoring on all event attendees and employees prior to the event and during check-in to further ensure behavioral guidelines are properly followed throughout the event. Effective **June 15, 2023** to **November 4, 2023**.

3. **Risk Transfer:**
   ➢ Purchase celebrity endorsement insurance in the event that a special guest/participating streamer falls into a public controversy prior to the event. GameStop's Finance department must secure policies between **June 1st, 2023** to **June 15, 2023**.

Control Effectiveness:
High

Residual Risk Rating:
Low

Risk #4: **Low Viewership**

The Gamestop Invitational could have low in-person attendance and stream viewership numbers.

Likelihood:
- Only 22% of esports fan's physically attended a tournament in 2021, with the majority(56%) of fans choosing to watch from home, so high viewership numbers is not a guarantee.

Impact:
- Revenue for the tournament
- Gamestop's Brand Image
- Sponsorships
- Ability to host tournaments in the future

Impact Rating:
High

Likelihood Rating:
Low

Inherent Risk Rating:
Low

Controls: **Low Viewership**

1. **Avoidance:**
   ➢ In the extreme, when both ticket sales and social media buzz is gauged to be substantially lower than predicted, then Gamestop Executives could asses how to minimize losses and could potentially cancel the Gamestop Invitational up until 2 weeks prior to the event. Effective **October 21, 2023** to **November 4, 2023**.

2. **Prevention:**
   ➢ The most effective way to mitigate this risk would be through practicing proper marketing techniques that utilize social media marketing and market research results to best mobilize Gamestop's target audience. Gamestop's marketing department would be in charge of these operations and should begin marketing **June 1, 2023** to **November 4, 2023.** Other ways to prevent low viewership and attendance would involve offering special in game incentives to attendees live streaming or pairing with established esports teams to increase event credibility.

3. **Detection:**
   ➢ A team should consistently monitor and analyze viewership data from the stream and make adjustments when needed. GameStop's IT department would in charge of creating a GameStop's Analytics team. Detecting times, special events, or people that cause the live stream to spike in viewers or cause the in person audience to get excited can help the management tailor the stream and reduce the risk of low viewership both in the immediate and in the future. These practices will have to occur the day of the tournament, **November 4, 2023**, but the analytical practices and technology need to be established and perfected starting **June 1, 2023.**

Control Effectiveness:
High

Residual Risk Rating:
Low

19

Risk #5: **Crowd Management**

At any live event, managing the crowd is extremely important. Fans and viewers acting disorderly can pose a huge risk to an event.

Likelihood:
- Although many sporting events have risk of fan misconduct, Esports events might be safer. "The younger the fan, the more likely they are to attend in-person competitions and spend money on events."

Impact:
- "It's no surprise that many sports fans get a bit too rowdy when supporting their team, but all too often does this enthusiastic support turn violent, and people start getting hurt."

Impact Rating:
High

Likelihood Rating:
Low

Inherent Risk Rating:
Low

Controls: **Crowd Management**

1. **Detection: (Diana Saadeh - Jajeh)**
➢ Hire a third-party security company to come work at the event on top of the current security. These individuals will be closely monitoring the crowd and if they need to step in. Effective **May 1, 2023** to **August 1, 2023**.
2. **Avoidance: (Nir Patel)**
➢ By gathering and collecting data from previous Esports events, GameStop should identify if there are specific attendees/fans to keep an eye on and if necessary, avoid hosting them at our event. Effective **April 25, 2023** to **September 1, 2023**.
3. **Risk Transfer: (Diana Saadeh - Jajeh)**
➢ Purchasing this policy protects GameStop from being blamed for possible disgrace events created by fans and audience members. Effective **April 25, 2023** to **October 1, 2023**.

Control Effectiveness:
High

Residual Risk Rating:
Low

Thank You

Any questions?

Sources and Appendix

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Likelihood & Impact Risk Rating

Likelihood	Rating Description
Very Low	< 15% chance of occurence
Low	15% to 40% chance of occurence
High	40% to 75% chance of occurence
Very High	< 75% chance of occurence

Impact	Rating Description
Very Low	No/very limited impact
Low	Slight to moderate Impact
High	High Impact
Very High	Very high impact

Inherent Risk Rating

Impact

	Very Low	Low	High	Very High
Very High	Very High	High	Low	Low
High	High	High	Low	Low
Low	Low	Low	Low	Very Low
Very Low	Very Low	Very Low	Very Low	Very Low

Likelihood

Control Effectiveness Risk Rating

Control Effectiveness	Rating Description
Very Low	Ineffective or slightly effective
Low	Moderately Effective
High	Highly Effective
Very High	Very Highly Effective

Residual Risk Rating

Control Effectiveness

	Very Low	Low	High	Very High
Very High	Very High	High	Low	Low
High	High	High	Low	Low
Low	Low	Low	Low	Very Low
Very Low	Very Low	Very Low	Very Low	Very Low

Inherent Risk