

Trading Card Game Industry

From the T to the C to the G



Contributors:

Brian David-Marshall, [To Be Continued LLC](#)
Joost van Dreunen, [SuperData Research, Inc.](#)
Matthew Wang, [To Be Continued LLC](#)

Introduction

This white paper describes the history, present and future of trading card games, and consists of the following sections. Section 1 explores the main components of trading card games and define basic concepts. Following, section 2 presents a concise history on the overall industry and its larger trends. Section 3 looks at the current customer base, its core demographics, secondary market and key brands. In section 4 the overall industry's revenues, distribution model, current issues and opportunities, and key companies.

Motivation

Ever since Pokémon emerged from the obscure hobby market to become a big box retail phenomenon, Trading Card Games (TCGs) became a popular mainstream form of entertainment. Especially among a younger demographic, TCGs have grown into a pervasive form of contemporary game play. Just in North America alone, sales are estimated to be in the neighborhood of \$800 million for 2008; sales that are fueled by four different animated television shows based on TCG brands.

Outside of traditional media, the emergence of massive multi-player games has coincided with an increased interest in TCG. The immensely popular World of Warcraft (Blizzard/Activision) with its 11 million subscribers world-wide, has had substantial success with its TCG spin-off. In the free-to-play game space, titles such as Club Penguin (Disney) and MapleStory (Nexon) also enjoy the success of their offline TCGs. Sony's recently released Free Realms also features a TCG, based on the virtual universe. With such large companies backing the development of TCGs, we figured that 2009 was a good moment to shine some light on the TCG industry. It offers both an opportunity to expand on existing intellectual property and a possibility for (young) audiences to play with their friends even while offline (e.g. on the playground, during recess at school).

This report is the handiwork of a group of avid trading card gamers and professionals, who dedicate a lot of their time to developing and playing TCGs. All of us subscribe to game play that is as much social as it is exciting. We hope our efforts are of use to the reader and invite anyone who feels we've missed anything, or has relevant information, to contact us. This white paper serves as an introduction on the topic and we look forward to a productive conversation with industry affiliates and fans alike.

What is a Trading Card Game?

A trading card game is also commonly referred to as a collectible card game, customizable card game, or CCG. For our purposes here, we will use trading card game (TCG) to refer to all three varieties. In a nutshell, a TCG combines the collectibility of trading cards with strategic game play.

Typically a player purchases a starter set, containing a manual and a playable deck of cards that showcases the rules and mechanics of the game in an introductory fashion. One of the biggest obstacles that faces any new TCG is the need for an opponent to truly engage in the game play as it is extremely unusual for any TCG to feature a solitaire mode. Players generally begin playing through a friend, at a particular location like a hobby game store that has a time and date for an organized gaming opportunity that includes a tutorial component, or via an online portal (which may feature online game play, but not necessarily).

In general, TCGs are comprised of three basic components. First there are the **rules of the game**, a set of instructions governing every aspect of game play, from which player will go first, to how to determine which player wins, and everything in between. These are usually broken down into:

A basic rule book contains the most basic set of rules. This is generally a booklet that comes with the starter materials and is aimed at beginning players. In many instances, like Chaotic, a play mat often accompanies the rule book, and serves to map out the placement of the game's components during game play. Often the design of the play mat includes a quick breakdown or cheat sheet that lists the game's main rules.

Comprehensive rules serve as the backbone of every aspect of the game and are usually stored on the main website for the game. These rules require a degree of experience for a player to fully understand them.

A document listing floor-rules. This is essentially a code of conduct for players, judges, and tournament officials once a game has developed an organized play program.

Secondly, there are of course the **cards** themselves. These serve as the actual playing pieces, and contain text describing their unique characteristics. Without exception, TCGs feature an inventory of cards far greater in number than a player can play with in any one deck. Once a player graduates from the initial stage of learning a game using pre-built decks, a player

will build their own unique decks, consisting of a small subset of cards. Cards will usually fall into one of five categories:

- ★ Creatures or characters are a staple of virtually every trading card game. Almost all TCGs feature some form of combat between characters either based on an existing licensed property (e.g. *Buffy the Vampire Slayer*) or drawing from popular genres such as fantasy. The cards are, in a sense, playing pieces with their rules inscribed on them.
- ★ Creature enhancements are usually represented as weapons, vehicles, items, or armor, which the player can use to enhance a creature card.
- ★ Events are cards that impact the flow of the game. These cards can range from simple effects, like drawing additional cards, to affecting a creature card on the board, to more sweeping and powerful effects. The easiest way to think of these cards is to think of the "Skip," "Draw Two," and "Reverse" cards in *Uno*.
- ★ With resource cards a player generally buys the ability to put other cards into play. They are a form of in-game currency that forces a fixed budget on the player. Not all trading card games features such a resource system, but it is fairly common. Resource cards tend to be specific in what they afford the player. Colors generally indicate the range of abilities it buys.
- ★ Location cards are not featured in all games but some games use them to represent a field of battle. Some games will further break down card types based on specific components of the brand's story line.

Third, the **intellectual property** ("IP") serves as the basic narrative universe on which the game builds. The story components generally influences the design, rule set and the cards themselves. Early games like *Magic: The Gathering* draws on its own, original IP, using fantasy tropes. But as more companies tried to claim a place for themselves in the TGC business, they began to rely increasingly on licensing existing IP.

Fourth and finally, in addition to the cards themselves, TCGs feature a variety of ancillary products that

are sometimes included with games or are sold as additional product lines through licensees.

- ★ **Beads/Tokens.** These will often fill the same role as dice and are often interchangeable. Some games will feature cards that generate additional game elements that are not represented on a card and require a token to represent them. This can be as simple as a bead or coin but some games actually feature cards created for this purpose.
- ★ **Boxes/Binders/Cases.** Players only use a small fraction of the cards in their collection when playing a TCG but having their cards organized and accessible for deck building and trading with other players is paramount. A variety of corrugated cardboard boxes, binders, and hard plastic cases serve this function. Originally these items were simply adapted from the sports card collectible market but manufacturers now create specific products for trading card games, including licensing artwork from popular game brands.
- ★ **Dice.** Players will use dice for a variety of reasons when playing a TCG; to randomly determine outcomes such as who will play first, to track the status of cards in play, and to track the game state such as resources available or the score of the game. Dice are rarely provided with TCGs and are even more rarely essential but they are a common piece of equipment for almost any player of TCGs.
- ★ **Life counters.** Players use a variety of methods to track the score of their games from simple pen and paper, calculators, iPhone apps, dice, coins, and even sculpted figural devices.
- ★ **Play mats.** There are two different types of play mats. The first is an instructional version, printed on glossy paper and included in most starter product for TCGs. These will feature a map of how to set up the game, keep track of the score, and a reminder of the step by step game play. There are also more durable fabric and rubber play mats -- similar to large mouse pads -- that feature artwork. These are often produced for sale, as tournament

prizes, or as commemorative keepsakes from large events.

- ★ **Sleeves.** Trading card games are often collectible with values tied to the condition of the cards, which get handled excessively during each game. Players protect their cards with flexible sleeves. These sleeves can be clear or opaque and will often feature artwork from the game IP licensed from the game manufacturers. There are two different sizes of cards -- a traditional playing card size such as Magic: The Gathering and a slightly smaller size designed with younger kids in mind and sleeves are made for both sizes.
- ★ **Strategy guides/Price guides.** There were at one point a half dozen or more print magazines dedicated to strategy and secondary market card pricing but they have been largely replaced by online sources able to deliver the same information in a much more timely fashion. Almost every successful trading card game will have a thriving user generated online community ranging from blogs, to online stores, to message boards.

Playing a Trading Card Game

Obviously, in order to play a trading card game, players require a deck of cards. Novice players can use a pre-constructed starter deck, but the true appeal of TCGs lies in the ability to create your own unique blend of cards, typically referred to as Constructed play. To allow for many individual, unique varieties of card interaction, the total inventory of available cards for a single game greatly exceeds the number of cards required to build a deck. Similar to an online multi-player game like *City of Heroes/City of Villains*, which offers so many variables in constructing an avatar that no two are the same, every single player's deck can be different. Beyond appealing to a single player's need to hold a unique deck, a large variety of cards also offers varying, and subsequently more challenging, game play. Consequently, players will purchase a much larger set of cards than he actually deploys during game play, which is commercially attractive and often gives birth to a thriving secondary market. Rule books and comprehensive documents generally detail the guidelines for deck construction, ensuring that whenever two or more players face off, they will almost always hold unique deck configurations.

In addition to deck construction, the components of game play focus on applying skill and randomness. At the start of a game, players generally shuffle their decks. This disables them from knowing what card they will draw each turn. Certain games require particular types of cards to be played first (e.g. resource cards), or require multiple decks which may be shuffled during game play.

Next, players agree on a method of which of them will go first -- usually flipping a coin or rolling a die -- and begin to play. Once the starting player has been determined, players draw a hand of cards and make their first action. Players alternate turns, with each player making actions and responding to them. Despite being turn-based, TCGs usually features special cards that allow a player to interrupt an opponents' turn and interact with their opponent's strategy. Finally, the game ends when one of the players has fulfilled a win condition (e.g. scored a certain number of points).

In general, if you were to break down a single game into common and identifiable zones you would find several predominant components. First, there's the **deck** zone. The contents of a player's deck is randomized and introduces an element of chance into the game. Whenever a game is played, each card drawn can represent victory or defeat. This is a constant source of dramatic tension on the *Yu-Gi-Oh!* television episodes in which its main character plays the actual card game in an epic battle between good and evil. The "rush" of drawing just the right card at just the right moment is one of the most compelling hooks to retaining TCG players.

Second, there is the **hand** zone. In almost every game players draw a hand of cards from the top of their shuffled deck. This is all the information they are given at the start of the game. Players use these cards to implement a strategy over the course of the match. As they take cards from the deck, players also replenish their hand by adding cards (usually one per turn). Not knowing each other's hand creates a cat and mouse game, climaxing in playing just the right card at the right moment. This element of chance is a key aspect to a TCG's excitement.

Third is the **play** zone. Cards are generally played face-up onto the table top (sometimes represented in detail by a play mat) from players' hands. The play zone contains most of the known information in a game between players. Some cards are played face-down and revealed at specific points in the game (these can be considered an extension of the hand zone since it is unknown information). Cards may be required to be arranged according to specific game rules, but almost

universally each player's cards remain on their half of the play zone. The deck is usually placed near the play zone as is the discard zone.

Fourth is a common area we can call the **battle** zone. It is here that the combat between creatures takes place, in a sub-section of the play zone, and it is often on either side of a dividing line between the two players' play zones.

Fifth and finally, the **discard** zone is where expired playing cards go. Cards from this zone are often re-

played, used as a resource, or have some impact on the game. In some instances, games feature an additional "removal area", where cards no longer have any impact and cannot be returned to play.

Obviously, the above merely describes TCGs in very general terms and concepts. For the rules on specific games, one is best served by visiting the relevant documentation. Nonetheless, the difficulty in describing TCGs in broad terms underlines the complexity and richness of their game play.

A Brief History of TGCs

The very first game to fit the established definition of a TCG was *The Base Ball Card Game* published by The Allegheny Card Co. in 1904. The game itself consisted of 104 unique cards, featuring National League players. More than a hundred years later, of course, *The Base Ball Card Game* remains rare and predominantly a collector's item: the estimated price for a mint-condition deck is about \$500.

The TCG concept as we know it today was born in 1993. Dr. Richard Garfield, a math professor, had been working on a game design since he was a graduate student, and only completed his vision once he met Peter Adkinson in 1985. Adkinson, then CEO of Wizards of the Coast ("Wizards"), initially rejected Garfield's first submission and requested a portable game that could be played during the frequent downtime at gaming conventions.

With an initial print run code-named *Alpha*, Wizards first premiered *Magic: the Gathering* at the Origins '93 gaming convention. The response from the hobby gaming community was above and beyond Wizard's predictions. Alpha's 2.6 million-card print run rapidly [sold out](#), as did the follow up *Beta* (7.3 million cards) and *Unlimited* (~35 million cards) editions. These three editions were essentially the same set of cards with little more than cosmetic changes and print run corrections differentiating them. The next completely original set was *Arabian Nights*, released in December 1993. Decisions made during the design of this second set would prove to be nearly as important to the TCG genre as Garfield's original design for the game.

Each *Magic: the Gathering* card from the Alpha, Beta and Unlimited editions shared a common card back. Players could mix cards from any of the editions when creating decks because it was impossible to differentiate one edition from another by looking at the card back alone. (To be fair, some cards included in the Alpha edition were die-cut slightly differently, making identification possible. All Magic cards after Alpha edition were cut identically.)

With *Arabian Nights*, Garfield proposed changing the card back. Players strenuously protested, and at the last minute Wizards decided to print *Arabian Nights* (and all subsequent expansion sets) with the same card back. This decision, which all other major TCG companies immediately copied, has contributed heavily to the long term success by engendering product line continuity. As a consequence, a TCG became more than just a string of similarly branded products released se-

quentially, and grew into its own hobby, supported and upgrading through expansions.

Magic's explosive sales growth changed the hobby market. In fact, sales of role-playing and miniatures combat games slumped as consumers shifted their purchases to Magic. Other hobby publishers rapidly joined Wizards in the TCG business: TSR (publisher of *Dungeons and Dragons*) released *Spellfire*, Atlas Games released *On the Edge*, and Steve Jackson Games released *Illuminati: New World Order*, all in 1994. However Decipher's 1994 TCG release -*Star Trek*- heralded a new TCG age.

The Age of Licensing

The earliest entrants into the TCG genre were based on original or existing hobby market brands, but this changed in 1995. That year more TCGs were released than any other, and many of them were licensed properties. James Bond, Lord of the Rings, Sim City and other entertainment brands and computer games were shoehorned into TCG booster packs, often unsuccessfully. Initial sales on most new trading card games were high during the early years of the genre, as retailers and consumers scrambled to fulfill their newly awakened desire for TCGs.

However, only a few new TCGs survived. Often poorly conceived, poorly designed and poorly marketed, most of the entrants in the glut years of 1995-1999 failed. Even well-regarded games got lost in the barrage of new products, and died before being able to establish a sustainable consumer base.

Mass Market Trading Card Games

Despite their dominance in the relatively small hobby market, TCGs had yet to find widespread commercial success in the U.S. The introduction of the *Pokémon* TCG changed all this in 1999. Also a licensed property, *Pokémon* was based on Nintendo's successful series of Gameboy games.

Unlike other entrants, *Pokémon* targeted a younger audience instead of the adults or teens found in the hobby market. Crucially, this meant that *Pokémon's* main fan-base watched cartoons every Saturday morning, allowing the *Pokémon* cartoon to reinforce both its overall game play and brand. Television exposure proved key to the game's national craze, and the *Pokémon* TCG became a breakout mass market hit.

Following that success, other mass market brands were designed around this combination of television, video game and TCG. Konami's *Yu-Gi-Oh!* (1999),

Bandai's *Digimon* (2000, plus related yet non-compatible game relaunches in 2002 and 2004), and 4Kids' *Chaotic* (2007) each achieved mass retail suc-

cess, outselling *Magic*, which remained the best-selling TCG in the hobby market through 2008.

Market Analysis

This section offers an abbreviated analysis of the current TCG market. It provides an overview of the demographics, the secondary market and core brands.

Who Plays TCGs?

Because TCGs feature game play that almost exclusively requires a minimum of two players, lively online communities exist where players exchange strategies, trade cards, find local opponents and discuss games. For purposes of this white paper, we review trading card game demographics using two different techniques: 1) We analyze a large number of trading card game brands' marketing materials and 2) we analyze the major online message boards to get an idea of the demographics, volume of online players, dominant TCG titles and the overall nature of TCG-related online discussion.

Demographics

As explained in greater detail elsewhere in this report, TCGs are sold via two different channels: mass market retailers and hobby game stores. Games sold at mass market retailers (i.e., Walmart, Target, etc.) tend to target a younger demographic (children ages 6-14), which include *Pokémon*, *Bakugan*, and *Yu-Gi-Oh!*. Alternatively, games sold at hobby game stores (i.e., mom and pop-run stores) tend to target an older more adult demographic (ages 16 and up), which include *Magic: The Gathering* and *World of Warcraft*.

In broad terms, the younger trading card game demographic generally shares these characteristics:

- ★ Composed of children ages 6-14
- ★ Purchase trading card games at mass market retailers
- ★ Experience the trading card game brand through a cartoon, video game and the trading card game

The older trading card game demographic is more varied, but shares these characteristics:

- ★ Composed of children and adults ages 16 and older
- ★ Purchase trading card games at hobby game stores and mass market retailers.
- ★ Experience the trading card game brand primarily through the trading card game

The younger demographic is usually constrained to purchasing trading card games at mass market retailers by their lack of independent transportation and their

parents. Hobby game stores tend to offer more game expertise and more community building events (i.e., game leagues, tournaments) than mass market retailers (although this does not necessarily mean better customer service).

These demographic characteristics are the main determinants of what kind of games are sold at the retail outlet and are important factors for any company with a new or existing trading card game to carefully review and consider.

Next, we analyzed demographic information by looking at TCG message boards. Specifically, the following is based on a collection of posts across fourteen English-based online message boards in May 2009, where 1,138,510 players collectively contributed 29,396,134 posts.

To get an idea of the demographic characteristics of the TCG audience, we collected (where available and non-intrusive) profile information from message board members. We assumed that, since message boards are publicly accessible online, profile information was too. Nonetheless, we have removed any identifiers from the data presented here.

Focusing on the 25 most prolific members on each message boards (but excluding administrators, moderators, etc.), we collected age, gender and geographic information. In addition, we also looked at a few existing studies. The rationale behind focusing on the top 25 members is our assumption that the investments made by community members, like most other online communities, are organized according to a power curve. This means that those people who write posts most frequently also invest most of their time and money. These heavily invested individuals are a TCG's financial backbone. In total, we collected demographic information on 175 players. (The observant reader will note that taking the profile information from 25 members of 14 message boards would obviously generate a total sample of 350. Unfortunately only half of them allowed access.)

- ★ Based on our sample, the average TCG player is 22 years old.
- ★ In those cases where players identify their gender, 84.1% are male vs. 15.9% female.
- ★ Breaking out the average age by title, produces the following:

Table 1: Average Age for select TCG Titles

Title	Average Age
World of Warcraft TCG	17
Naruto	18
VS	18
Chaotic	19
Pokémon	22
Yu-Gi-Oh!	23
Magic: the Gathering	25

Source: TCG-related message boards, SuperData Research.

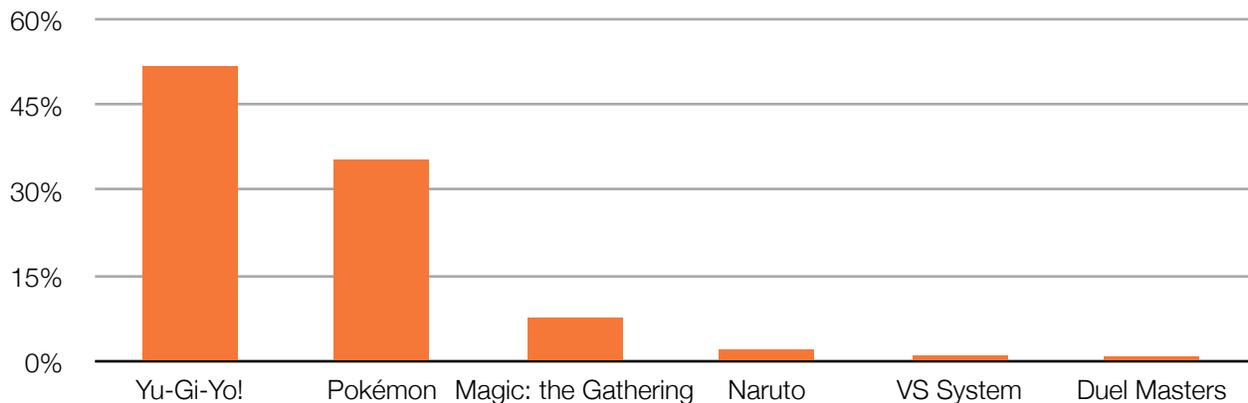
- ★ Based on this non-scientific sample, we speculate that the audiences for older franchises like *Pokémon* and *Magic: The Gathering* have aged since their initial launch, compared to the newer titles,

World of Warcraft and *Naruto*. A study by Jon Prywes (1999) found the average age of a Magic player between 16 and 23 years old.

- ★ Obviously this initial survey leaves a lot to be desired. The authors recommend a more thorough, statistically relevant study to identify the exact age ranges per title.

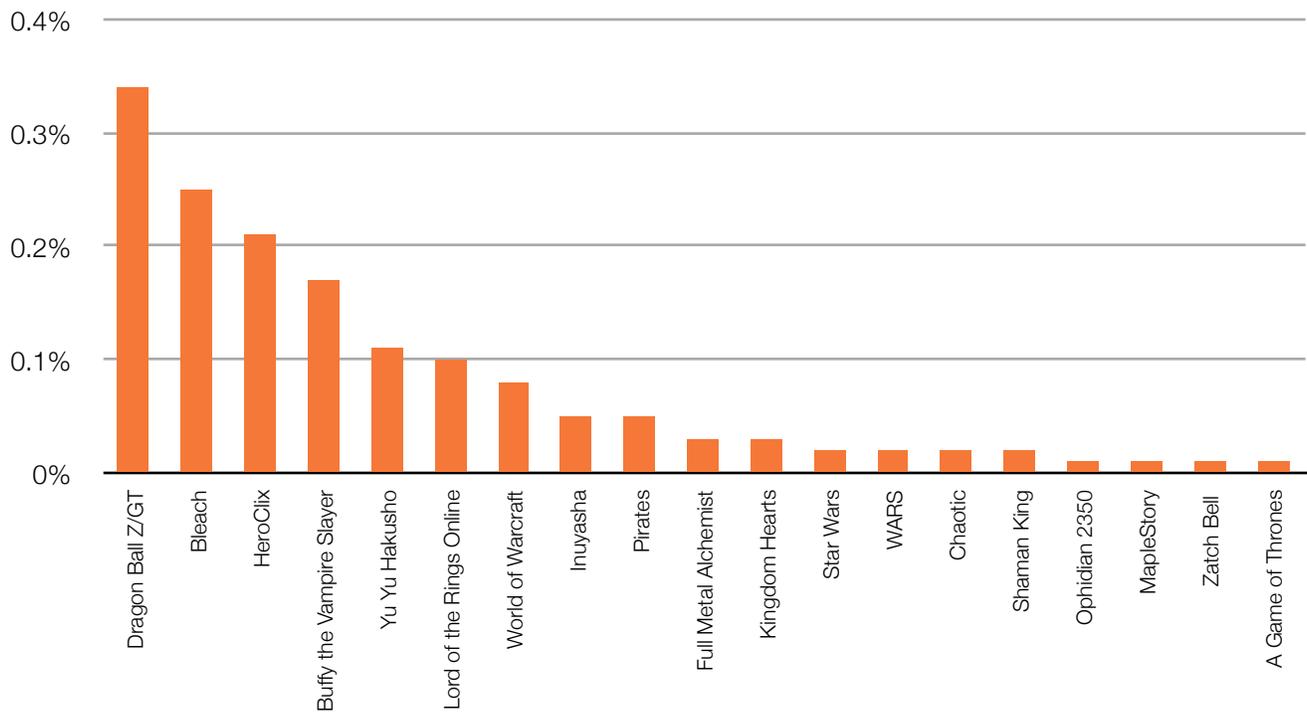
Relative Market Share by Title

We assumed that the amount of online discussion related to a particular title is equivalent to its relative market share: more players means more people online chatter. Based on message board volume, the popularity per TCG title breaks down as follows. Among the top-tier titles, *Yu-Gi-Oh!* takes the cake with over 51%, and is followed only by *Pokémon's* 35%. The number three title, *Magic: the Gathering*, stays at a distance (7.7%). Finally, *Naruto* (2%), *VS System* (0.9%) and *Duel Masters* (0.7%) come in as four, five and six.

Graph 1: TCG Message Board Volume by Title (%)

A second group of TCG titles enjoys a much smaller following. Based on message board volume, *DragonBall Z/ GT* takes the lead in this group with 0.34%.

Graph 2: TCG Second Tier Message Board Volume by Title (%)



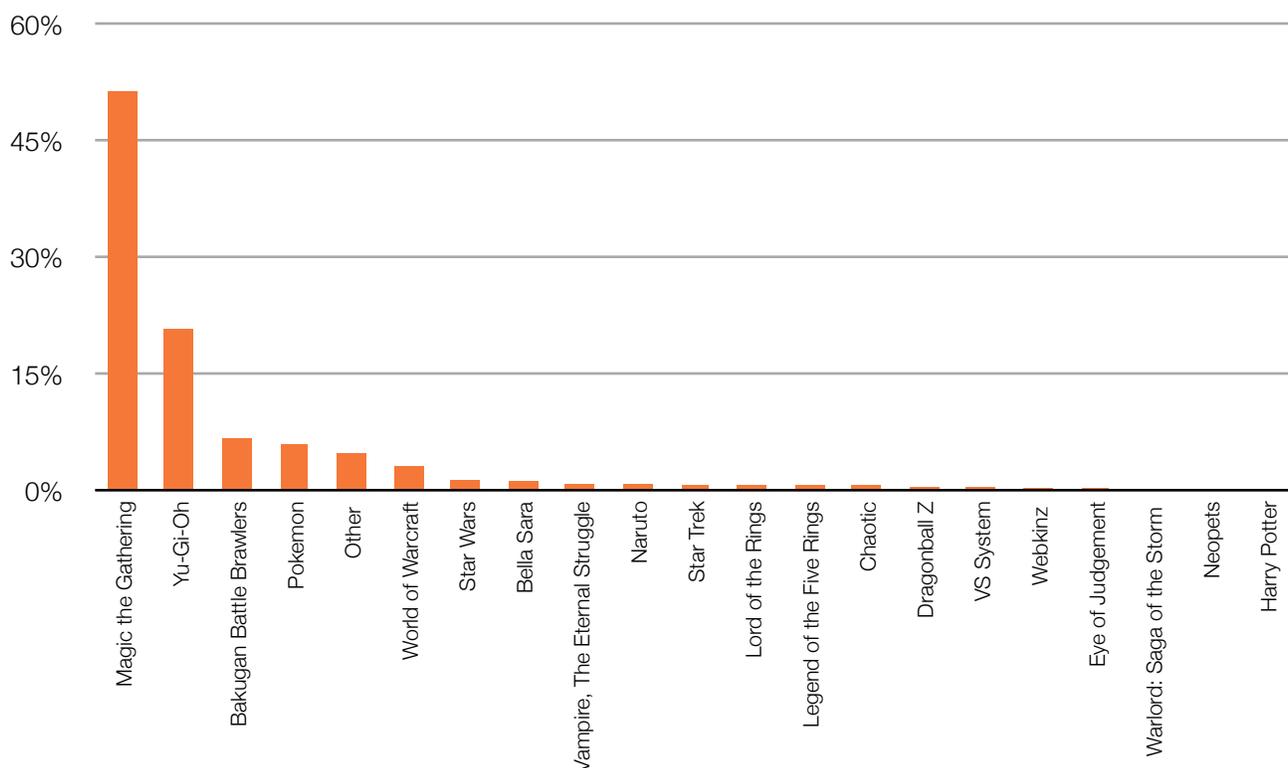
Secondary Market

Due to the collectible nature of trading card games, there is a robust and active secondary market. A substantial part of the trading card game genre's success originates in the search for and trade of rare cards.

Individual TCGs may use differing terms, but across the board each will feature a large number of "common" cards. Unsurprisingly, rare cards are fewer and therefore more valuable. Players can find "rares" in two ways. First, they may purchase [blister or booster packs](#). Generally, a starter set costs approximately \$15 and booster packs cost about \$3.99. Players buy the latter in the hope of strengthening their existing deck.

However, because each pack will only contain a few rares and many commons, players will have to buy many packs to make their deck better.

Alternatively, in the secondary market players may directly purchase the one card they seek. As a result, there exist a lively online exchange in TCGs. On eBay, for example, there are currently over [600,000](#) individual TCG sales listed (Recorded May 2009). The highest asking price for a single card stands at \$49,000 for a "Beta Black Lotus" for *Magic: The Gathering*. Collections obviously yield more money, running up to \$5,000 for the entire *Pokémon* set. Misprints tend to be even less common, racking up an asking price of \$100,000 for a *Yu-Gi-Oh!* misprint of the "Clock Tower Prison."

Graph 3: TCG Secondary Market, Volume Share by Title (%)

If we look at the total number on offer for each title, and multiply it by the average asking price, we see that the total eBay secondary market on a specific day can amount to just south of one million dollars. The volume of available cards for *Magic: The Gathering* overwhelms that of other titles. Yet the total value gives it only 46.8% of the total market, compared to the 57.2% it holds when measured by volume. In dollars, the second-runners up gain in market share: *Yu-Gi-Oh!* claims 23.6% (13.2%), *Pokémon* 9.8% (5.7%) and *World of Warcraft* 5.1% (2.9%).

Table 2: TCG Secondary Market, Dollar Sales by Title

Title	Units	Avg. Price for a 'Rare'	Appr. Value (incl. common cards)	Market Share in Dollar Value
Magic the Gathering	345,986	\$4.32	\$438,979.20	46.8%
Yu-Gi-Oh	79,682	\$7.51	\$221,170.34	23.6%
Pokemon	34,474	\$7.56	\$92,103.60	9.8%
World of Warcraft	17,467	\$9.38	\$47,551.20	5.1%
Vampire, The Eternal Struggle	16,210	\$3.14	\$16,989.28	1.8%
Legend of the Five Rings	12,553	\$6.98	\$16,837.60	1.8%
Lord of the Rings	7,317	\$4.76	\$13,515.89	1.4%
Bakugan Battle Brawlers	7,656	\$13.57	\$13,362.78	1.4%
Naruto	4,540	\$9.40	\$13,115.12	1.4%
Bella Sara	4,027	\$5.25	\$12,198.31	1.3%

Dragonball Z	5,290	\$4.97	\$8,026.25	0.9%
Star Wars	12,890	\$1.31	\$7,918.60	0.8%
Star Trek	5,246	\$5.31	\$6,671.56	0.7%
Chaotic	1,486	\$2.11	\$4,939.64	0.5%
Neopets	1,300	\$9.48	\$3,277.00	0.3%
Raw Deal	3,468	\$0.50	\$2,289.64	0.2%
Harry Potter	679	\$3.82	\$1,327.60	0.1%
VS System	1,029	\$1.99	\$1,097.31	0.1%
Warlord: Saga of the Storm	511	\$3.08	\$728.53	0.1%
UFS	465	\$4.61	\$555.15	0.1%
Eye of Judgement	525	\$1.45	\$540.12	0.1%
Webkinz	255	\$1.50	\$257.00	0.0%
Other	42,314	\$5.09	\$14,933.90	1.6%
Total	605,370		\$938,385.61	

Source: eBay Stores, SuperData Research.

The average price for a “rare” is \$5.09. If we exclude *Bakugan Battle Brawlers*, which are arguably figurines more so than cards, the average comes to \$4.69. The highest average price for a rare card is \$9.48 (*Neopets*) and the lowest \$0.50 (*Raw Deal*).

Collectively, these numbers indicate that although *Yu-Gi-Oh!* is more common among online discussion (51%) than *Magic: The Gathering* (7.7%), their eBay secondary market value may tell a different story. Perhaps by including a greater number of message boards would provide a different observation, but our purposes here, our findings suggest that while *Yu-Gi-Oh!* is more popular, *Magic: the Gathering* has con-

tributed twice as much on eBay. This, in spite of the fact that *Yu-Gi-Oh!* cards sell for \$7.56 compared to *Magic's* \$4.32.

Besides the sales of pre-owned cards, there exist several websites where TCG players can purchase additions to their collection. We've identified the following as online retailers which offer a diverse and wide inventory (alphabetically):

- ★ www.oshkoshmagic.com
- ★ www.StrikeZoneOnline.com
- ★ www.StarCityGames.com
- ★ www.TrollAndToad.com

Core Brands (alphabetically)

Brands	Description
<p>Bakugan Battle Brawlers Publisher: Sega Toys, Spinmaster Initial Release: 2006</p>	<p><i>Bakugan Battle Brawlers</i> is a popular Japanese anime that was brought over to the United States in February 2008. Sega Toys and Spin Masters released the <i>Bakugan Battle Brawlers</i> card game simultaneously with the show's debut. <i>Bakugan</i> is not a traditional TCG; it plays much more like marbles than a card game. Players collect magnetic spring-loaded miniatures, which represent the <i>Bakugan</i> from the show. Players then roll these miniatures over a field constructed of playing cards that are loaded with metal. When a <i>Bakugan</i> rolls over one of these cards, its magnetic parts stick to the metal in the cards, causing the miniature to pop open.</p> <p>The game, supported by the TV show and other advertising, ended up being one of the hottest 2008 holiday products. <i>Bakugan</i> also won the 2009 Toy of the Year award by the Toy Industry Association. In 2009, Digital Blue is planning to release a series of <i>Bakugan</i>-branded electronics, and Activision is developing a video game to be released on the Wii, Nintendo DS, Xbox 360, and PlayStation platforms.</p>
<p>Bella Sara Publisher: Hidden City Games Initial Release: 2006 (Seattle, San Diego), March 2007 (rest of U.S.)</p>	<p><i>Bella Sara</i> is a trading card game and virtual world built around collecting and caring for horses. <i>Bella Sara</i> was released to limited markets in November 2006, and nationally in March 2007.</p> <p>To play <i>Bella Sara</i>, players must first purchase <i>Bella Sara</i> trading cards, which can be used to play simple card games and uploaded to the <i>Bella Sara</i> website, where players can play mini-games and care for their digital horses. Cards are uploaded to the website using a unique activation code. Uploading cards also rewards players with horseshoes, which can be used to buy objects from <i>Bella Sara</i>'s item Bazaar.</p>
<p>Chaotic Publisher: 4Kids Entertainment/TC Digital Initial Release: October 18, 2007</p>	<p>The <i>Chaotic</i> Trading Card Game is a relatively new addition to the market, launched in Fall 2007 by 4Kids Entertainment and its subsidiary TCDigital Games. Based upon the TV show of the same name, <i>Chaotic</i> focuses on dueling armies of Creatures.</p> <p>The game is unique in that all individual cards have a code which can be uploaded to the <i>Chaotic</i> TCG website. Players can play an online version of the TCG for free using cards that they have uploaded from their online collection or other digital versions of cards that they have traded.</p> <p><i>Chaotic</i>'s game play is roughly like a miniatures games in that most of a player's deck begins in play. Its game play is most easily understood as a war of attrition, with each player's goal simply to outlast their opponent through thoughtful and cunning play.</p>

Brands	Description
<p>Legends of Norrath Publisher: Sony Online Entertainment Initial Release: September 5, 2007</p>	<p><i>Legends of Norrath</i> is an online-only TCG developed by Sony Online Entertainment (SOE). It is playable both through SOE's <i>EverQuest</i> and <i>EverQuest II</i> MMORPGs, as well as a separate client specifically designed for <i>Legends of Norrath</i>. The game launched in September 2007 and to date, <i>Legends of Norrath</i> has had six releases.</p> <p>Unlike most other TCGs, <i>Legends of Norrath</i> is tightly intertwined with Sony's <i>EverQuest</i> MMORPGs. Like <i>World of Warcraft</i>, there are loot cards which may be redeemed for in-game items. In addition, <i>EverQuest</i> and <i>EverQuest II</i> subscribers receive free <i>Legends of Norrath</i> products each month that they remain a subscriber. <i>Legends of Norrath</i> relies heavily on these players, who can play within the MMO client, to drive sales and increase consumer awareness of this game.</p>
<p>Magic: the Gathering Publisher: Wizards of the Coast Initial Release: 1993</p>	<p><i>Magic: The Gathering</i> was the first "modern" collectible card game, and has consistently been one of the best selling hobby games on the market. Magic is now sold in over seventy countries, with an estimated 6 million player world wide. In 1996, Wizards launched the <i>Magic: the Gathering Pro Tour circuit</i>; a series of highly competitive weekend-long tournaments with large cash prizes.</p> <p>In addition to the paper game, Wizards launched a digital version in June 2002, <i>Magic Online</i>. The game has undergone multiple iterations, with the most recent, <i>Magic Online</i> version 3 being released in April 2008. Wizards of the Coast estimates that <i>Magic Online</i> is responsible for somewhere between 30% and 50% of the total Magic business. Originally, players had the ability to exchange complete sets of digital cards for physical product. However, with the release of version 3, the option for redemption has been disabled, although Wizards has announced that it will reinstate the policy in the future.</p>
<p>Pokémon Publisher: Nintendo Initial Release: October 1996</p>	<p><i>Pokémon</i> is a global entertainment franchise based on a series of games released on the Nintendo Gameboy and DS systems. Created around 1995, <i>Pokémon</i> remains a successful global brand, although its best days were in the past. The trading card game was developed by Wizards of the Coast, and is still highly successful. The game is still among the largest trading card games on the market, and was ICv2's top overall CCG for Fall 2008.</p> <p><i>Pokémon</i> has an extensive organized play system composed of leagues, traditional tournaments, and high level events including Nationals and Worlds tournaments. Releases are tied thematically to the <i>Pokémon</i> digital game releases.</p>

Brands	Description
<p>World of Warcraft Publisher: Upper Deck Company Initial Release: October 25, 2006</p>	<p>The World of Warcraft TCG ("WoW") is a card game based on the popular massively multi-player online role playing game ("MMORPG") World of Warcraft. The WoW TCG is produced by Upper Deck Entertainment, a division of the Upper Deck Company. The first set of cards, Heroes of Azeroth, was released in October 2006. In addition to traditional TCG play, the WoW TCG has released four Raid Decks. Raid Decks challenge players to test their skills against the most difficult encounters in the World of Warcraft MMORPG. Instead of competing against each other, players get together to play against the powerful "boss" creatures that are included in each Raid deck.</p> <p>The WoW TCG also features Loot cards. Loot cards are cards that contain a scratch-off code that can be uploaded in the WoW MMORPG and exchanged for special digital objects that could not normally be obtained in the game. Some Loot cards are randomly inserted into booster packs, while others can be found as guaranteed inserts in WoW-related products (such as the Raid decks, or WoW MMORPG expansions).</p> <p>The WoW TCG sells well in the hobby markets, but has not grown to the level of other, more popular TCGs. Like other UDE games, the WoW TCG is supported by a wide-reaching organized play network that hands out large cash prizes to the top players of the game.</p>
<p>Yu-Gi-Oh! Publisher: Konami Initial Release: 2002</p>	<p>The Yu-Gi-Oh! Trading Card Game is a TCG based on the Duel Monsters game that is portrayed in the popular Yu-Gi-Oh! manga and TV show. When the game first launched in 2002, Upper Deck handled the production and distribution of the Yu-Gi-Oh! TCG in North America, Europe and Australia, while Konami handled Asia. At the beginning of 2009, Konami took control of all of Upper Deck's responsibilities for the game, claiming that Upper Deck produced counterfeit cards. The Yu-Gi-Oh! TCG is one of the top-selling TCGs in the U.S.</p> <p>In addition to being one of the best selling TCGs in North America, the Yu-Gi-Oh! brand has released many video game titles (produced by Konami) for the Game Boy Advance, Nintendo DS, PC, and Playstation platforms. Many of these games come packaged with promotion cards from the Yu-Gi-Oh! TCG.</p>

Industry Analysis

The following shifts to the companies involved in the production of TCGs. After offering a breakdown of the aggregate market, it discusses the underlying business model, key players and summarizes recent current events.

Aggregate Market Overview

In the period 2002-2004, the trading card game market hit a peak of \$850 million with *Yu-Gi-Oh!* sales at spectacular levels and Pokémon continuing to do well at retail, despite a slight decline. An interesting feat considering the general economic outlook at the time. In the following period 2005-2007, sales bottomed at \$475 million, but eventually stabilized at around \$550-600 million. The rise in sales in 2008 is directly attributable to the success of *Bakugan*, which dominated the mass market channel last holiday season.

The following table shows the estimated size of the US trading card game market.

Table 3: TCG Sales U.S. Market Size, 2002-2008 (at retail, \$)

Year	2002	2003	2004	2005	2006	2007	2008
	750	850	700	475	550	600	800

Source: ICv2

Taken as a whole, local event organizers and retailers estimate that the European retail market similar in size as the United States: ~\$600 - \$800 million. Historically the top 5 European Union markets are (alphabetically): Germany, France, Italy, Spain and the United Kingdom. This overlaps neatly with the market distribution of its electronic cousins.

TCGs enjoy the most prevalence in Japan. There both adults and kids wholly embrace TCGs, playing a wide range of trading card games. The industry agrees with an estimated \$350 to \$500 million at Japanese retail.

Combined, the worldwide market for TCG currently stands north of \$2.1 billion, making it equal to the market for secondary market for MMOs (\$2.1 billion) and larger than the casual game market (\$1.8 billion). In terms of revenue the slow and steady low-tech approach of TCGs, combined with much bigger focus on loyalty, the phenomenon exists at the same level as game industries at the bleeding edge of technology.

Distribution Channels

There are two primary retail distribution channels for trading card games: Mass Market and Hobby Market.

Mass market retail distribution includes stores like Walmart and Target. These channels cover a large geographic footprint and have an enormous amount of customer traffic. Walmart, for one, counts over 4,100 outlets and 200 million customers each year in the United States. Typically, a mass market retail chain requires a large commitment (in terms of volume) and adherence to a strict delivery schedule. Chain stores may demand that a company commits its product even as far as one year in advance. Succinctly, this does not allow for a TCG manufacturer or marketer to adjust the volume or make-up of its product. However, the size of the mass market retail stores allows for better pricing and a greater selection, because space is virtually unlimited compared to specialty retailers.

Secondly, there are approximately 5,000 Hobby Market retailers in the United States. Despite having much lower traffic numbers, the hobby market staff is generally much more knowledgeable about the products and can provide advice and recommendations to customers. Most trading card game brand advocates come from the hobby market. Hobby game To reach these stores generally means going through the store distributors, who buy inventory from a variety of vendors with the intention of reselling them to hobby stores. For a TCG manufacturer this is a cost efficient method to reach its customers, because distributors already have established relationships with the stores and are better able to advertise new product.

Card Production (From Start to Finish)

The general process of creating a trading card game from start to finish can easily be divided into three phases:

Design and Development - Create the trading card game design and develop the game.

- ★ Translation of brand into TCG cards and gameplay.
 - Creation of fun way to experience the brand through trading card purchases.
 - Identify brand "tent poles" to be featured on cards.
 - Expand the brand and its story through the cards
- ★ Generation of card set to be distributed in random boosters and pre-constructed starter decks.
- ★ Creation of 2 - 4 pre-constructed decks to introduce consumers to a flavorful, playable version of the game right out of the box.
- ★ Rules documentation for trading card game and rule book for starter materials.
- ★ Playtesting and refining all cards for fun, flavor and complexity level.

Production - Generate the art and non-game content. Design card template and packaging. Prepare files for printer.

- ★ Card Art
- ★ Card Layout / Template
- ★ Product Packaging
- ★ Flavor Text and Non-Game Content for cards
- ★ Card Production Management

Sales and Marketing - Organize marketing and sales programs, materials and schedule rollout.

- ★ Creation of a marketing support plan that includes acquisition of new customers and retention once they get there.
- ★ Develop community-based web presence through third-party websites with strategy content, forums, and promotional content.
- ★ Create a line of game-related materials for promotional giveaways in leagues, tournaments, demos and for consumer sale.
- ★ Coordinate game convention schedule and hire applicable demo personnel.
- ★ Contact retailers and distributors to educate about the brand.
- ★ Create sales plan, materials and events including sell sheets, promotional items and events for retailers and consumers (i.e., mall tours, store leagues, demo days).

Current State of the Industry

According to our industry sources and reports, as of mid-2009, *Yu-Gi-Oh!* and *Pokémon* are still the top two TCG brands in the US market with *Bakugan* making a tremendous entry last holiday season dominating the buzz and toy aisle. The Konami takeover (detailed below) has only had a minor hiccup in *Yu-Gi-Oh!*'s sales. But through the change of hands a new challenger, with much deeper pockets and plenty of experience with electronic games, appears. Between Konami, Nintendo and WotC, previous industry leader Upper Deck is quickly losing its former glory.

In the mass market, *Magic* is seeing a rise in sales as its marketing efforts on grooming casual players over the last couple of years begins to bear fruit. Topps' Club Penguin TCG was released during the holiday season as a Toys "R" Us exclusive and sold out its initial run before the end of the year. Meanwhile, *Chaotic!* saw its sales declining dramatically during the holiday season, as an inordinate amount of retailers returned product.

In the hobby market, a major shift occurred as many of the big players toward formulated marketing plans focused on a more casual friendly approach. Previously, the traditional method to acquire new customers had been prize-driven competitive tournaments. WotC led this change and, despite initial resistance, proved very successful in broadening its player base and, consequently, improving sales. Its *Magic* continues to show strong sales along with *Yu-Gi-Oh!* and *Pokémon*.

Konami & Upper Deck Entertainment Litigation (April 2009)

On December 11, 2008, Konami Digital Entertainment, the American division of Konami Corporation, [announced](#) that it was taking control of "all operational and business aspects" of the *Yu-Gi-Oh!* Trading Card Game, effective immediately. After both Upper Deck and Konami separately claimed to be in control of the card game, Dutch and U.S courts found in favor of Upper Deck, allowing Upper Deck to continue marketing and distributing the game in [Europe](#) and the [United States](#).

On January 13, 2009, Upper Deck announced that Konami had not supplied Champion Packs to Upper Deck, preventing Upper Deck from awarding them as [prizes](#) in tournaments for the foreseeable future. Less than a week later, the same reason [forced](#) Upper Deck to cancel the *Yu-Gi-Oh!* Crimson Crisis expansion. Not long after Konami announced that it would [release](#) the

Crimson Crisis expansion only weeks later, as well as three new [releases](#) for Spring 2009. This included new Tins, Constructed Decks, and the Raging Battle expansion. In addition, Konami clarified its reasoning for taking over *Yu-Gi-Oh!*'s distribution when it amended an earlier complaint to directly implicate Upper Deck in [producing](#) counterfeit *Yu-Gi-Oh!* cards.

On February 16, 2009, Upper Deck announced that it had cancelled all future *Yu-Gi-Oh!* Trading Card Game Organized Play events, due to [a lack of product](#). Ten days later, Konami was awarded a preliminary injunction against Upper Deck's involvement in the *Yu-Gi-Oh!* brand. In granting the injunction, the judge [ruled](#) that Konami had "shown both a likelihood of success on the merits as well as a likelihood of irreparable injury."

Since then, Konami has released a number of statements detailing its plans for *Yu-Gi-Oh!* Organized Play, sneak peeks, new products, and more. On February 27, 2009, Konami announced that it would be [releasing](#) Champion Pack 8, and a week later, it [announced](#) plans for the first Sneak Peek program. On April 12, it announced that it was [bringing back](#) the highly-successful *Shonen Jump Championships*, and only a day later it unveiled a Barcode Scanner, which allows them to easily enter players into Organized Play events and [compile](#) their rankings. On April 14, the Amsterdam Court of Appeals ruled in favor of Konami's appeal proceeding against Upper Deck, [removing](#) the latter as the authorized distributor of the *Yu-Gi-Oh!* Trading Card Game in Europe, Latin America, and Oceania. Two days later Konami finally announced four new summer releases, in addition to the previously [announced](#) *Raging Battle* expansion.

Konami has been aggressively promoting its new Organized Play program to retail stores, and has released a list of [sanctioned](#) tournament stores.

Issues & Opportunities

Two characteristics typify the TCG business: network effects and digital integration.

Network Effects and Marketing

The trading card game market is highly concentrated, because there are only a few games that dominate the entire market. The up-side of this concentration is that new card players will quickly find opponents; the down-side is that it is currently difficult for new game companies to enter the market unless they have a clear method of differentiation.

One of the more effective methods for new TCGs to break into the industry is to focus on the community aspects of TCGs. By hosting or sponsoring tournaments and events on a local level, TCG companies are able to expand their existing market and sell more product to people already playing. In addition, it is possible to create a new market by building off pre-existing communities, instead of inventing one from scratch.

Digital Integration of Trading Card Games

One rapidly emerging trend is the popularity and growth of online trading card games, either as a direct translation of an offline trading card game (i.e. Chaotic) or as just an online trading card game (i.e. Star Wars' Galaxies).

TCGs debuted around the same time as the internet came of age. Unsurprisingly, there have been numerous attempts to integrate TCGs with the web, using both existing and original TCG games. Several online TCGs are direct translations of their cardboard originals – Magic: the Gathering Online and Yu-Gi-Oh! ONLINE games mimic their offline editions. Other games exist solely online, including Chron-X (Genetic Anomalies, 1997).

A new trend is hybrid physical/online TCGs. A new generation of games such as Chaotic and Bella Sara feature physical game cards which can be "uploaded" to an online version of the game by inputting a unique code printed on each card. These games attempt to circumvent a major weakness facing new TCGs – creating a critical mass of players who can meet to play and sustain the game – by using online play as a matchmaking system outside the physical limitations of geography.

The rise in the number of online trading card games is attributable to a number of reasons:

Increasingly Crowded Trading Card Game Market. As noted in Network Effects and in the Market Analysis, there are several dominant trading card game industry players, which creates a large barrier to entry for anyone trying to bring a new trading card game to the market. New TCG entries have used online play and digital tie-ins to distinguish themselves from their competitors.

Lower Production Costs. The printing, packaging and distribution costs of trading card games can often be prohibitive for companies who are looking to enter the market. There has been an increasing rise in the number of online-only trading card games that simulate the feel of an offline trading card game. Many new entrants in the market have used an online-only TCG strategy to test market and refine their TCG for a hypothetical retail offline launch.

Cost Effective Marketing / Innovation. An online trading card game offers many cost effective opportunities for marketing and innovation including the ability to offer premium content via the online platform and track customer purchases.

Add-On to Virtual World / MMO. In the last two years, a number of virtual worlds and MMOs have added both online and offline trading card games to their offerings to moderate and great success. The TCG adds another interactive touch point for their audience and increases the engagement time of their user base. On the business front, the TCG allows their user base to spend additional money on the brand without increasing their monthly subscription fee.

Key Companies (alphabetical order)

4Kids Entertainment, Inc.

1414 Avenue of the Americas
New York, NY 10019
(212) 758-7666
www.4kidsentertainmentinc.com

4Kids Entertainment, Inc. (NYSE:KDE) ("4Kids") is an integrated full-service brand management company focused on the children's entertainment sector. Best known for the English dubbing of *Pokémon* and *Yu-Gi-Oh!*, the company currently operates a five hour Saturday morning block of programming on the CW network, and [produces](#) shows including *Teenage Mutant Ninja Turtles—Back to the Sewer*, *Chaotic*, *Yu-Gi-Oh! 5Ds*, *Dinosaur King*, and *Sonic X*.

TC Digital is a majority-owned subsidiary (55%) of 4Kids and is responsible for the production of the Chaotic TCG. Its affiliated company, TC Websites LLC, produces and operates [websites](#) on which TCGs can be played. TC Digital's sole currently-announced product is the Chaotic TCG, a description of which can be found in the TCG section of this document.

4Kids operates through a group of wholly owned subsidiaries. Approximately 24% of 4Kids' total revenue in 2008 was from trading card games.

Bandai USA

5551 Katella Ave.
Cypress, CA 90630
(714) 816-9500
www.bandai.com

Bandai USA is the North American subsidiary of Namco Bandai Holdings, a Japanese toy and game manufacturer and the world's third largest toy company. Bandai manufactures physical toys and produces video games under the Namco brand. Bandai USA is the master license holder and manufacturer of *Power Rangers*, *Ben 10*, *Tamagotchi*, *Girlz Connect*, *Dragonball Z*, *Digimon* and *Blue Dragon*. The company also has ongoing licenses with Cartoon Network, Disney, Toei Animation and WIZ Entertainment.

Bandai's subsidiary unit, Cardass, has been responsible for incorporating several of Bandai's properties into TCGs, most notably *Naruto*, *Gundam War*, and *Gash Bell (Zatch Bell)*. In an attempt to expand its North-American market share, Bandai announced in early 2009 that it would double its workforce to 120 in that region.

Fantasy Flight Games

1975 W County Rd B2
Roseville, MN 55113
(651) 639-1905
www.fantasyflightgames.com

Fantasy Flight Games is a game developer and producer in the board and card gaming spaces. Best known for its board games such as the World of Warcraft board games, Tanheuser, Descent, and Tide of Iron, Fantasy Flight also produces the Kingdom Hearts TCG and Universal Fighting System trading card game ("UFS") in the collectible gaming space. In addition, they offer the non-collectible Living Card Game ("LCG") format with two other games: A Game of Thrones and Call of Cthulhu. In the LCG format, players purchase entire play sets of expansions as they are released, instead of purchasing booster packs and collecting the cards instead.

Hidden City Games, Inc.

120 Lakeside Avenue, Suite 230
Seattle, WA 98122
(206) 315-5645
www.hiddencitygames.com

Hidden City Games is a Seattle-based company responsible for the development and production of the Bella Sara CCG. Founder and CEO Peter D. Adkinson has a wealth of experience in the TCG space, having previously founded Wizards of the Coast Inc., which he sold to Hasbro in 1999. Hidden City Games is backed by venture capital firms [Rustic Canyon](#) and [Trinity Ventures](#).

Konami Digital Entertainment, Inc.

2381 Rosecrans Ave, Suite 200
El Segundo, CA 90245
(310) 220-8100
<http://www.konami-digital-entertainment.com/>

Konami Digital Entertainment has only been a player in the TCG space since it took over the production of *Yu-Gi-Oh!* from Upper Deck in early 2009. The company also produces the *Blue Dragon TCG*. However, Konami Digital Entertainment is best known for its video game franchises, the most prominent of which is the *Metal Gear Solid*-series.

Konami Digital Entertainment is a subsidiary of Konami Corporation, which is headquartered in Tokyo, Japan, and a publisher of computer and video games. In October 2003, Konami Corporation [expanded](#) its

operations and renamed Konami of America into Konami Digital Entertainment Inc.

Nintendo, Inc.

4820 150th Ave. Northeast
Redmond, WA 98052
(425) 882-2040
www.nintendo.com

Nintendo is a worldwide gaming company that produces both video games and video game platforms. The company has a long line of entertainment systems in both the console and handheld markets. Currently, its two main platforms are the Wii, a home entertainment console, and the DS/DSi, a portable gaming platform. Nintendo has also generated a number of gaming franchises, most notably *Mario*, *Legend of Zelda* and *Pokémon*.

In the trading card space, Nintendo's *Pokémon* franchise has been wildly successful. Although it was initially designed by Wizards of the Coast, Nintendo [took control](#) of the card game in June 2003, and has handed off design and development of the TCG to *Pokémon*, USA, one of its subsidiaries.

Sony Online Entertainment LLC

8928 Terman Court
San Diego, CA. 92121
(858) 577-3100
www.station.sony.com

Sony Online Entertainment ("SOE") is a subsidiary of Sony Computer Entertainment Inc. SOE was founded in 1995 as an online collaboration between Sony Pictures Entertainment and Sony Corporation of America. SOE has developed a number of online games, and focuses on the MMO market. SOE's electronic game portfolio includes EverQuest, EverQuest II, Star Wars Galaxies, PlanetSide, The Matrix Online, EverQuest Online Adventures, Champions of Norrath, Untold Legends, Field Commander, and most recently Free Realms. SOE also has an [announced](#) project in the pipeline titled The Agency. Although SOE focuses primarily on traditional electronic games, it also develops the online-only Legends of Norrath TCG Everquest.

Spin Master, Ltd

450 Front Street West
Toronto, ON
M5V 1B6 Canada
(800) 622-8339
www.spinmaster.com

A Toronto-based entertainment company that specializes in children's brands. Founded in 1994, the company originally incorporated under the name Sieger Marketing. As it grew and added brands, it evolved into Spin Master Toys. It then decided to [shed](#) the Toy moniker from its name to avoid branding itself as just a "toy" company.

Spin Master has interest in several major brands. Its first big hit came in 1996 when it released Air Hogs, a series of air-pressure powered toys. More recently, Spin Master [launched](#) the *Bakugan* Battle Brawlers game, in conjunction with Sega Toys. Spin Master has recently acquired the license from 4Kids Entertainment to design, develop and manufacture toys for the Chaotic brand. The first wave of Spin Master *Chaotic* products is expected to be [released](#) in late 2009 or early 2010.

Takara Tomy

3 Imperial Promenade, Ste 950
Santa Ana, CA 92707
(949) 955-1030
www.tomy.com

With more than 90% of total revenue derived from Asian markets, Takara Tomy holds a modest presence in Europe and North-America. The company was formed when rival toymakers Takara and Tomy merged in March, 2006. Over 2008, the company generated \$2.0 billion in sales.

Takara Tomy has a diverse product line: in addition to the popular international brands *Transformers* and *Micronauts*, the company also offers baby-products, toddler-age toys, capsule toy vending machines and electronic toys, especially robots and RC-cars. The company has a presence in the TCG with two titles: *Kingdom Hearts* (translated and marketed in the U.S. by Fantasy Flight Games) and *Uzumajin* (Japan only).

Topps Co, Inc.

One Whitehall Street
New York, NY 10004
(212) 376-0300
www.topps.com

An international entertainment company that markets collectible trading cards, candy, stickers, and collectible strategy games. Topps began in 1938 as a chewing gum company. In 1950 they began producing trading cards, launching their first baseball card series shortly thereafter in 1951. Topps entered the collectible

games market in July, 2003, when they [acquired](#) WizKids LLC, a collectible strategy games company. In November 2007 by Michael Eisner's Tornante Group and Madison Dearborn [purchased](#) Topps and took it private.

WizKids was [shut down](#) in November 2008, and the sale of the division is still being [negotiated](#) as of this writing. While the company was still operating, they produced games for Topps such as the *HeroClix* collectible miniatures game, the *Pirates of the Spanish Main* constructible strategy game, and the *Star Wars Pocket Model Game*. Post-WizKids, Topps recently released the *Club Penguin* TCG, based on the popular virtual world owned by Disney, and has also partnered with Sony Online Entertainment to [produce](#) the *Free Realms* TCG. Both games feature codes that can be uploaded to their respective virtual worlds to be exchanged for digital objects.

The Upper Deck Company, LLC

5909 Sea Otter Place
Carlsbad, CA 92010-6621
(760) 929-6500
www.upperdeck.com

A privately-held trading card and collectibles company that produces an array of memorabilia, trading cards, and games. Upper Deck began in 1988 when it was granted a license by *Major League Baseball* to produce baseball cards. As the company grew it was granted similar licenses from the *NFL*, *NBA* and *NHL*. Upper Deck was the first trading card company to implant game-used material, such as pieces of player jerseys, into its trading cards.

Upper Deck Entertainment ("UDE") is the division of Upper Deck that produces TCGs. UDE's most successful TCG is *Yu-Gi-Oh!*, which it produced until recently when parent company Konami took over the game. UDE also produced the VS System, its proprietary TCG system that used licenses from both Marvel and DC comics, until it [shut down](#) the game in early 2009. UDE currently produces the *World of Warcraft* TCG, and has recently [released](#) the *Huntik* TCG and [Dinosaur King](#) TCG. In April 2009 the Amsterdam Court of Appeal ruled in favor of Konami Digital Entertain-

ment, which means that Upper Deck is no longer the authorized distributor of *Yu-Gi-Oh!* for all of Europe, Oceania and Latin America.

The Upper Deck Company consists of Upper Deck Authenticated, Upper Deck Digital, Upper Deck Entertainment, and Upper Deck International.

Wizards of the Coast LLC

1600 Lind Ave. SW, Ste. 400
Renton, WA 98055
(425) 226-6500
www.wizards.com

Wizards of the Coast is a game company that was founded by Peter Adkinson in 1990. Wizards became a part of Hasbro, Inc. in 1999 when it was purchased for [\\$325 million](#). Wizards of the Coast is known primarily for pioneering the concept of collectible card game. Wizards has been publishing *Magic: the Gathering* since its release in 1993. It also published the highly successful *Pokémon* Trading Card Game from 1999 to 2003 until *Pokémon* USA [took over](#) the license. Wizards has also published the *Eye of Judgment*, *MapleStory*, *Netrunner*, *Neopets*, *MLB/NBA Showdown* TCGs. Wizards controls a comprehensive TCG patent, which it was [granted](#) in 1997.

In addition to card games, Wizards has produced a number of board, miniature and role-playing games. Wizards produced *RoboRally*, *Vegas Showdown*, *Axis & Allies*, *Risk 2210*, as well as other board games under the name Avalon Hall (another Hasbro division). Wizards also publishes the popular *Dungeons & Dragons* role-playing game, which it acquired in 1997 when it purchased TSR.

Others...

The above, of course, only concerns the major companies in the TCG space. Other names are: [Don-russ](#) (est. sales \$4.4 million, owned by Panini America), [Rittenhouse Archives](#) (sci-fi TCGs), [SAGE](#), *Team Best*, and *In The Game*. Many of these companies, however, specialize on collectible sports games (and thus rely on having a license to use baseball, football and hockey properties).

Conclusion & Outlook

Despite being a relatively young category, trading card games have quickly become an integral piece in the game business. Their low price point, collectability, competitive aspect, ease of transport and rich game play provides a unique user experience. Combined these characteristics have allowed trading card games to carve a strong niche in the game business and quickly gain a loyal following. Even though a few large players seem to dominate the industry at present, we believe there exists substantial room for growth and innovation. As older brands run their course, the industry readies itself for both a new generation of trading card games and its inevitable synergy with the online world. We hope that this report provides some insight on this relatively unheralded and hidden industry and encourage the reader to view these little cardboard cards in a wholly different light.

Contributor Biographies and Disclosure

Brian David-Marshall is a Principal and Co-Founder of To Be Continued LLC, a New York-based game design consulting company. At To Be Continued, Brian consulted on and was a member of the game design team for Chaotic, 4Kids' successful online and offline trading card game brand. Brian also consults with clients on various areas of the games industry including virtual worlds and children's games. Brian has been involved in the collectible card game market since its inception more than ten years ago. Brian is the founder of Gray Matter Conventions and Neutral Ground, the largest gaming location in New York City. Brian is currently a featured columnist for www.magicthegathering.com, a commentator on the Magic: the Gathering Pro Tour webcasts, and is the Magic Pro Tour Historian for Wizards of the Coast. Brian David-Marshall was one of the founding partners of Malibu Entertainment, one of the largest independent comic book publishers in the 1990's. They created a number of properties that were licensed into a number of consumer and entertainment products including The Ex-Mutants which was developed into a Sega video game. Numerous properties that passed through Malibu's doors have made their way to the big screen, most notably the Men In Black franchise, featuring Will Smith. Brian has worked in all areas of the comic book medium for more than 20 years from retail, to editorial, to creating an original title for Marvel Comics.

Joost van Dreunen has over a decade of commercial research experience on interactive entertainment and technology industries. Prior to founding SuperData Research he held senior analyst positions at Nielsen Online and DFC Intelligence. He specializes in emergent forms of game play, including social gaming, free-to-play gaming, micro-transactions, prepaid game cards, MMOs, mobile gaming, and digital distribution. Joost is an affiliate researcher at the Columbia Institute for Tele-Information, a member of the Center of Organizational Innovation, founder of the New York chapter of the Digital Game Research Association, and teaches at the NYU Game Center.

Joost holds a doctoral degree from Columbia University.

Matthew Wang is a Principal and Co-Founder of To Be Continued LLC, a New York-based game design consulting company. At To Be Continued, Matthew consulted on and was a member of the game design team for Chaotic, 4Kids' successful online and offline trading card game brand. Matthew also consults with clients on various areas of the games industry including virtual worlds and children's games. Before founding the company in 2005, Matthew was a senior associate in the advisory group at Evercore Partners, a New York-based boutique investment bank. Previously, Matthew was in the investment banking division of UBS. He has worked on numerous mergers and acquisition and capital raising transactions ranging in size from \$100 million to \$5 billion in a variety of industries. Matthew has also worked on projects for Sesame Workshop, Warner Brothers and Wizards of the Coast. Matthew has an MBA from Columbia Business School and a BA in Economics - Political Science from Columbia College.

Additional Contributors are Jonathan Keefer, Donald Lim, Drew Nolosco, Steven Sadin and Wilson Price. Thank you for your hard work!

Ownership: All images used in this report are the property of their respective owners. If you find anything you'd like us to change or remove, please contact us and we will gladly honor your request. Thank you in advance.

Legal

Conditions of Purchase

Purchase of this multi-client study is on a nonexclusive basis. This report has not been commissioned or contracted for by any one person or organization. The information contained is confidential to the purchaser, and the purchaser agrees not to circulate or loan the report in whole or in part to: their subsidiaries or divisions, industry trade associations (if not the purchaser), the general public, the media, nor other parties not belonging to their company, agency or organization. Unauthorized reproduction and dissemination which is discovered by SuperData Research (the publisher) shall constitute grounds for legal prosecution and damages under U.S. copyright law.

SuperData Research has made every attempt to verify the accuracy and completeness of information in this report from sources we believe to be reliable. It is understood, however, that our estimates, forecasts, opinions and recommendations represent the judgment of our analysts, based on the best information available at the time of publication. It is recommended that purchasers also consult other available business sources and not rely solely on this analysis as the basis for major strategic, financial, or management decisions. SuperData Research makes no warranty or representation, either expressed or implied, with respect to the information in this report. In no event will SuperData Research be liable for direct, indirect or consequential damages resulting from any defect or inaccuracy in this report, even if advised of the possibility of such damages.

Information about specific companies is not intended to be a complete description, nor of their securities, nor is this study an offer to buy or sell such securities. SuperData Research's liability, if any, shall not exceed the amount paid for this study.

Contact Information

SuperData Research, Inc.

116 W23rd Str. 5th floor
New York, NY 10011
+1 646 375 2273

Follow us on Twitter: [@_SuperData](#)

Visit: www.superdataresearch.com