



## Situation

After producing (and selling) 100.5 million Wii consoles from 2006-2013, Nintendo pulled the plug on its successful machine in October, 2013, sending a signal to consumers that it was time to upgrade to the Wii U. Despite the Wii U's year head-start, customers didn't get the message, preferring rival machines. In 2006, Microsoft parlayed a year head start for the Xbox360 into a six million unit advantage in the US alone. More importantly, the system had an impressive, growing software line-up. After a year on the market, the Wii U has sold just 6.2 million units—less than half of the projected sales for the PS4 in its first year—and software sales have been anemic. No Wii U game has sold over 4.2 million units. By comparison, Grand Theft Auto V sold 11.25 million copies in its first 24 hours. Mediocre PS4 launch title Knack even briefly outsold the excellent Super Mario 3D World in the UK when both games released last year.

Problems with Nintendo's current position:

- Technological inferiority with direct competitors
- Online service inferiority with direct competitors
- Nintendo's first party studios' difficulty transitioning to development in HD, slowing the release of "tent pole" franchises
- Brand confusion over the Wii U name (some mistook the Wii U as a Wii peripheral)
- Poor Third Party relations (see the collapse of Nintendo's "unprecedented partnership" with EA. Ubisoft, a typically reliable partner, will show no games on Nintendo platforms at E3 this year)
- Ever-green legacy intellectual property (Mario, Zelda, Donkey Kong) selling better than multiplatform titles for the last decade, alienating third parties
- IP stagnation
- Perception of a young target demographic alienating "mature" gamers
- Poor communication of the Wii U's unique selling point (off-screen gaming)
- An unappealing/unpersuasive unique selling point
- Interest among Wii buyers (casuals) in the Wii as a party toy, not in gaming itself
- Smartphone and Tablet gaming stealing Nintendo's core audience
- Microsoft's Kinect stealing Nintendo's core audience

On May 7<sup>th</sup>, 2014, Nintendo posted a \$457 million annual loss and revised sales estimates for the Wii U from 9 million to 2.8 million in the next year. Despite dominating the handheld video game market, Nintendo stock plunged on the bad news, with some analysts calling for Iwata to resign, Nintendo to exist the console business, and the company to transform into a developer of smartphone games.

Rather than celebrating, Nintendo's rivals understand the valuable role the company has played in bringing new gamers into the market: "[The decline of Nintendo] could be detrimental to the market, unless people like us raise our game and help tap into the younger consumer group that they serve rather well" – Fergal Gara, Sony UK Managing Director.

## Challenge

Don't give Sony the chance.

Your consulting firm has a meeting Wednesday, May 28<sup>th</sup>, 2014 with Satoru Iwata, the president and CEO of both Nintendo Co. and Nintendo of America. At stake is a million dollar contract for your start-up firm. Sell Nintendo on your ideas for the Wii/Wii U/Nintendo brand. Is it time to move beyond the Wii U? Should Nintendo rebrand the machine? Perhaps, like Microsoft's unbundling of Kinect, Nintendo should sell a Wii U Pad-less sku? Can the company return to favor with core gamers, or should it seek another "blue ocean strategy" to capture non-gamers? Will you advise Iwata to enter smartphone gaming, despite the company's hesitancy to undercut its own hardware? Should Nintendo change its 3DS strategy? Is Nintendo's next console a console-handheld hybrid?

Unlike rival Microsoft, Nintendo has hardware options. Iwata has promised a new "third pillar," something called a Quality of Life (QoL) platform. After researching the possibilities, should Nintendo push more resources into QoL or stick with traditional gaming?

In your 6-7 minute group presentations, your team might discuss:

- Your new slogan/campaign/idea
- The philosophy/theory behind your idea
- Target demographics for your campaign
- What you see as the unique selling point(s) of the Wii U, 3DS, or QoL platform (what you choose to highlight in your campaign)
- What you see as the major weaknesses of the competition in this market segment (what you choose to exploit)
- Implementation/Time Tables/Channels/Campaign details
- Evidence for your campaign's eventual success
- Costs

Your team should prepare a Visual Aid for your meeting Wednesday and a small Works Cited page. Satoru Iwata is eager to hear your proposal, so your team should be ready to answer questions from his executive group after your speech. All team members should speak during the presentation.

## Relevant links

<http://www.mcvuk.com/news/read/iwata-it-s-not-as-simple-as-moving-mario-onto-smartphones/0126907>

<http://www.gamespot.com/articles/wii-u-sales-slow-to-a-crawl-as-nintendo-posts-457-million-loss/1100-6419475/>

<http://www.cnet.com/news/nintendo-says-sayonara-to-the-original-wii/>

<http://www.smh.com.au/business/world-business/nintendo-shares-sink-as-game-hardware-business-stumbles-20140120-313tr.html>

<http://tech.fortune.cnn.com/2014/02/11/is-it-game-over-for-nintendo/>

<http://www.forbes.com/sites/quora/2014/02/05/why-is-the-wii-u-a-failure/>

[http://en.wikipedia.org/wiki/List\\_of\\_best-selling\\_Wii\\_U\\_video\\_games](http://en.wikipedia.org/wiki/List_of_best-selling_Wii_U_video_games)

<http://wiiudaily.com/2014/01/iwata-announces-new-business-strategy/>

### **Useful terms**

Blue Ocean Strategy

Third Pillar

Leapfrog Strategy

Quality of Life / Games for Health

Ever-green Software

Legacy Intellectual Property

NES – Nintendo Entertainment System

SNES – Super Nintendo Entertainment System

N64 – Nintendo 64

GCN – Nintendo GameCube

NVB – Nintendo Virtual Boy

NGB – Nintendo Game Boy

3DS

2DS