



The Big Three

Hardware Makers

Sony Case Competition
Summer 2014

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Kelley School of Business



The **Market** Leader? Not so much.

Nintendo Stock 2002-2012

Nintendo Company, Ltd. ADR NTDOY

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Quote **Chart** Stock Analysis Performance Key Ratios Financials Valuation Insiders Shares Inscripts **NEW** Filings Bonds Option

NTDOY Price: 16.76 Day Chg: -0.42 | -2.44% Volume: 75,646

Compare Indicators Display

Overall Change: -19.42%

01/18/2002 - 01/13/2012

1D 5D 1M 3M YTD 1Y 3Y 5Y **10Y** Max Custom

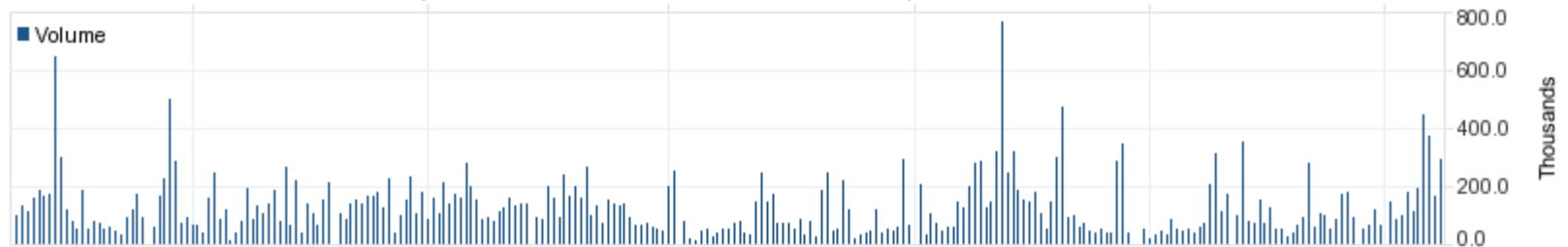


Source: Morningstar Quotes

Nintendo Stock 2012

NINTENDO CO LTD ADR

■ NTDOY



Nintendo Stock 2013-14

Last Price
(1/15/14)
\$18.20



Microsoft Stock Last Ten Years

Microsoft Corporation MSFT | ★★★★★

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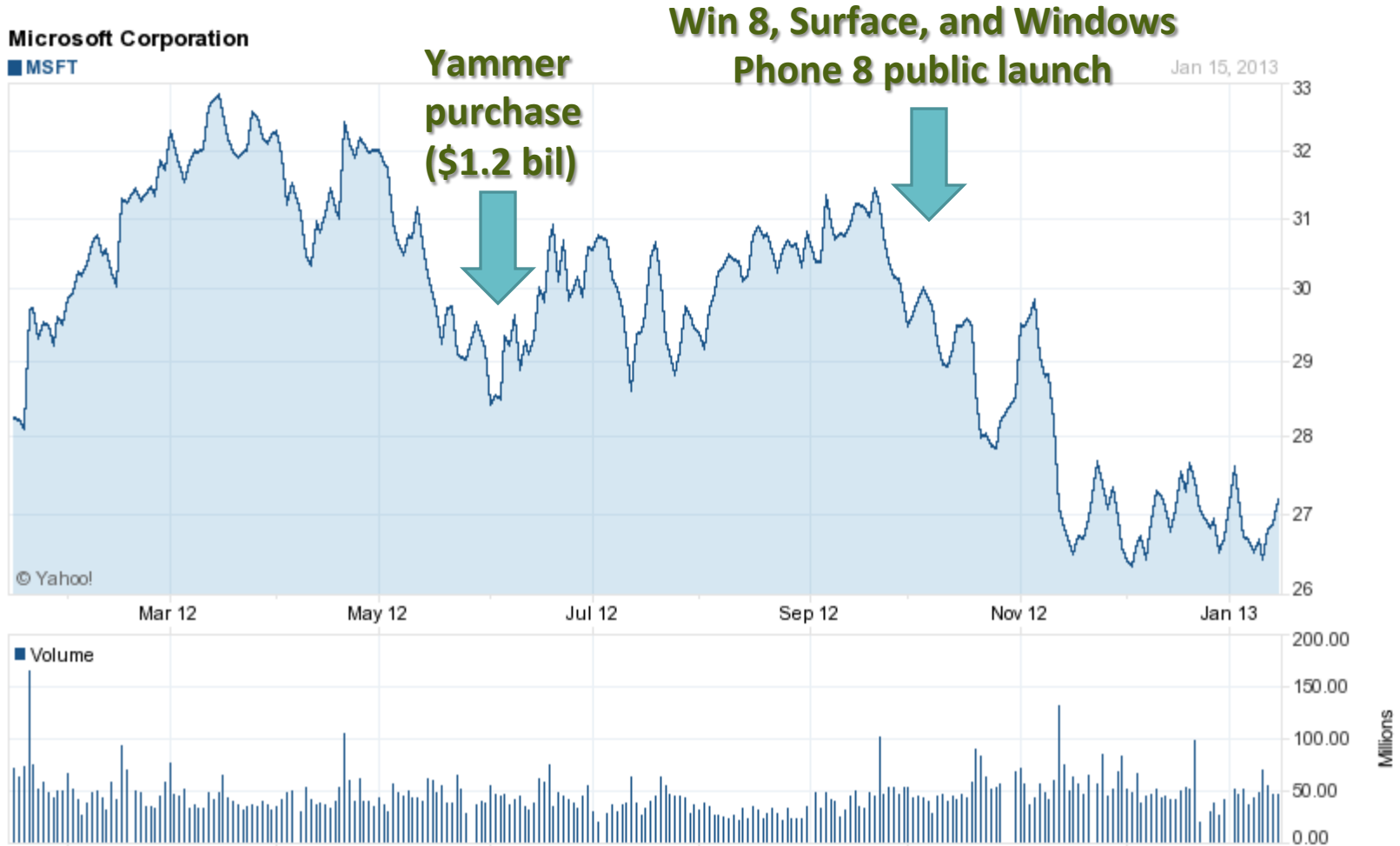
Quote Chart Stock Analysis Performance Key Ratios Financials Valuation Insiders Shareholders Transcripts NEW Filings Bonds Option

Xbox



Source: Morningstar Quotes

Microsoft Stock 2012



Microsoft Stock 2013-14

\$36.67 ↑0.89 | 2.49%

As of Wed 01/15/2014 1:48 PM EST | USD

\$ 35.91 35.90-36.70

Volume
21.1 mil

Avg Vol.
41.1 mil

Stock Price MSFT

Xbox One Launch

01/14/2013 - 01/14/2014 Zoom: 1D 5D 1M 3M YTD 1Y 3Y 5Y 10Y Maximum

XNAS:MSFT: +8.95 | 33.36%



Sony Stock 2002-2012

Sony Corporation ADR SNE

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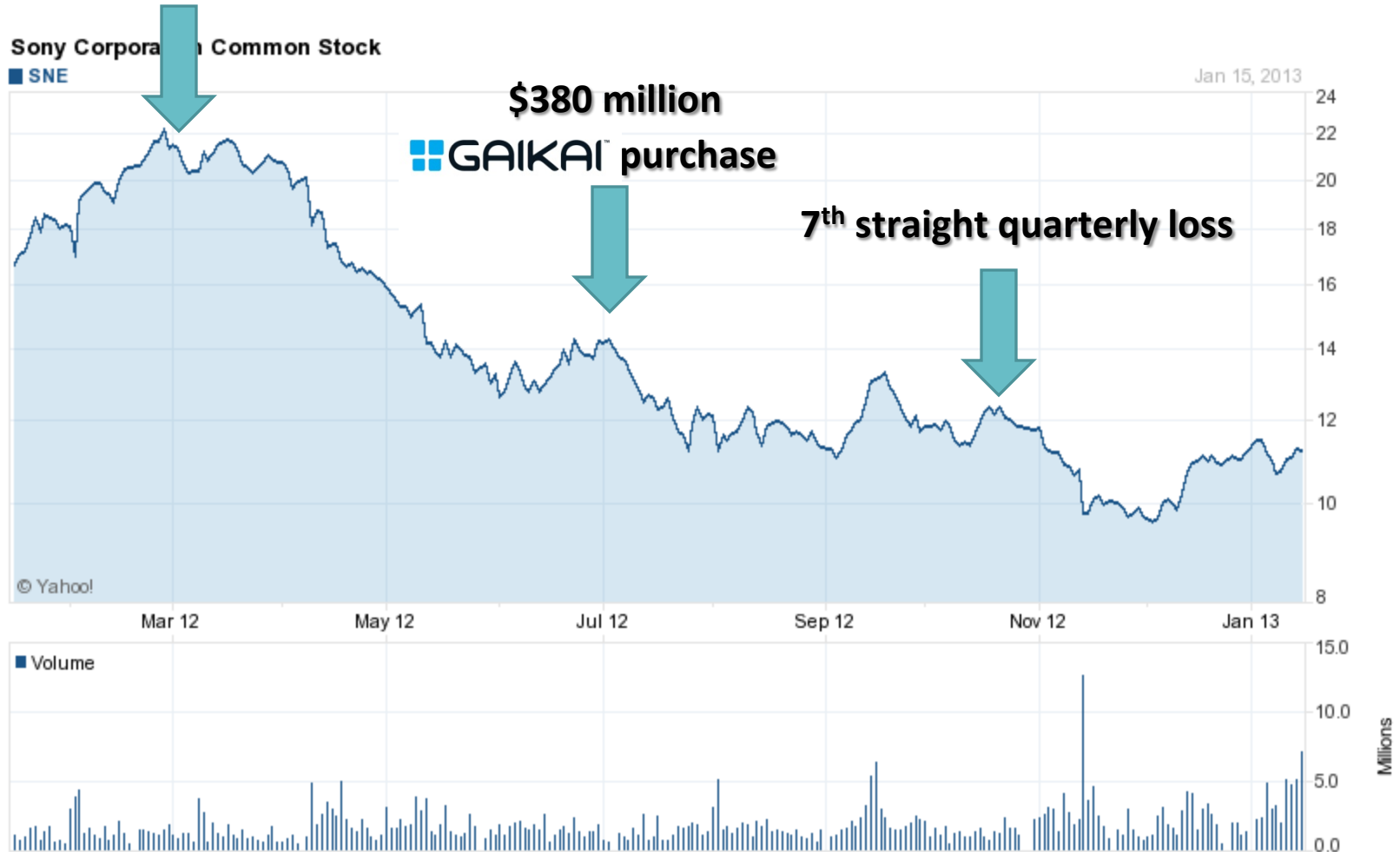
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Source: Morningstar Quotes

Sony Stock 2012

**“One Sony” Plan,
Kaz Hirai CEO**



Sony Stock 2013-14




Last Price **\$17.44** Day Change **↓ -0.09 | -0.51%**

Open Price **\$ 17.39** Day Range **17.34-17.51**

As of Wed 01/15/2014 1:42 PM EST | USD

Volume **1.5 mil** Avg Vol. **2.9 mil**



Company	Strengths	Weaknesses
	<ul style="list-style-type: none"> -recognizable IP, nostalgia -family friendly -1st party Japanese studios, including EAD and Miyamoto -market dominance in handheld and console sales -massive cash on hand -first mover on motion controls, 2nd screen -“Evergreen” Mario, Zelda titles, especially on handhelds 	<ul style="list-style-type: none"> -yen to dollar exchange rate -lack of 3rd party support -hardcore gamer disappointment with Wii -perception of technological inferiority -unreasonable expectations for innovation -franchise fatigue -will demo make jump to next-gen? -a generation behind in online infrastructure -early launch of WiiU, .5 generation
	<ul style="list-style-type: none"> -3rd party relations -ease of development -massive corporate resources -huge marketing budgets -proprietary graphics tech (DirectX) -dominance in FPS genre -top-selling console in NA in 2011 -mature, profitable, closed XBL -Windows integration likely -software company 	<ul style="list-style-type: none"> -Kinect alienates target demo -relative lack of 1st party studios -shareholder sway -no presence in handhelds. Little in phones. Nonstarter in Japan. -franchise fatigue (Halo eclipsed by CoD) -impression of inferior hardware (RRoD) -closed online upsets Valve, EA -willingness to fight tech battle or desire to chase Nintendo’s market?
	<ul style="list-style-type: none"> -largest, most talented 1st party studios -owns hardware plants, controls BoM -perception of high-end products -blu-ray + cell advantage (dwindling) -legacy IP, brand recognition -movie and music studios (untapped) -‘open’ online (Steam partnership) -‘free’ PSN, Gaikai infrastructure -handheld presence -Europe and Japan -technical innovation, despite loss of Kutaragi. 	<ul style="list-style-type: none"> -current company financials -yen to dollar exchange rate -ten-year lifecycle PR -PSP piracy and poor sales in NA -slow Vita launch -PS3 ports of 3rd party titles -poor PSMove sales -6 mil deficit in NA from arriving year late -2011 sales below expectations -burdened by underperforming TV sales -poor performance in phones (Xperia Play) -executive turnover (Stringer -> Hirai)

Legacy Intellectual Properties

Nintendo®

Mario, Mario Party, Mario Kart, Fire Emblem, Earthbound, Zelda, Donkey Kong, Kirby, Kid Icarus, Pikmin, Smash Bros, WiiPlay, Metroid, Animal Crossing, Nintendogs, StarFox, Punch-Out!

Microsoft®

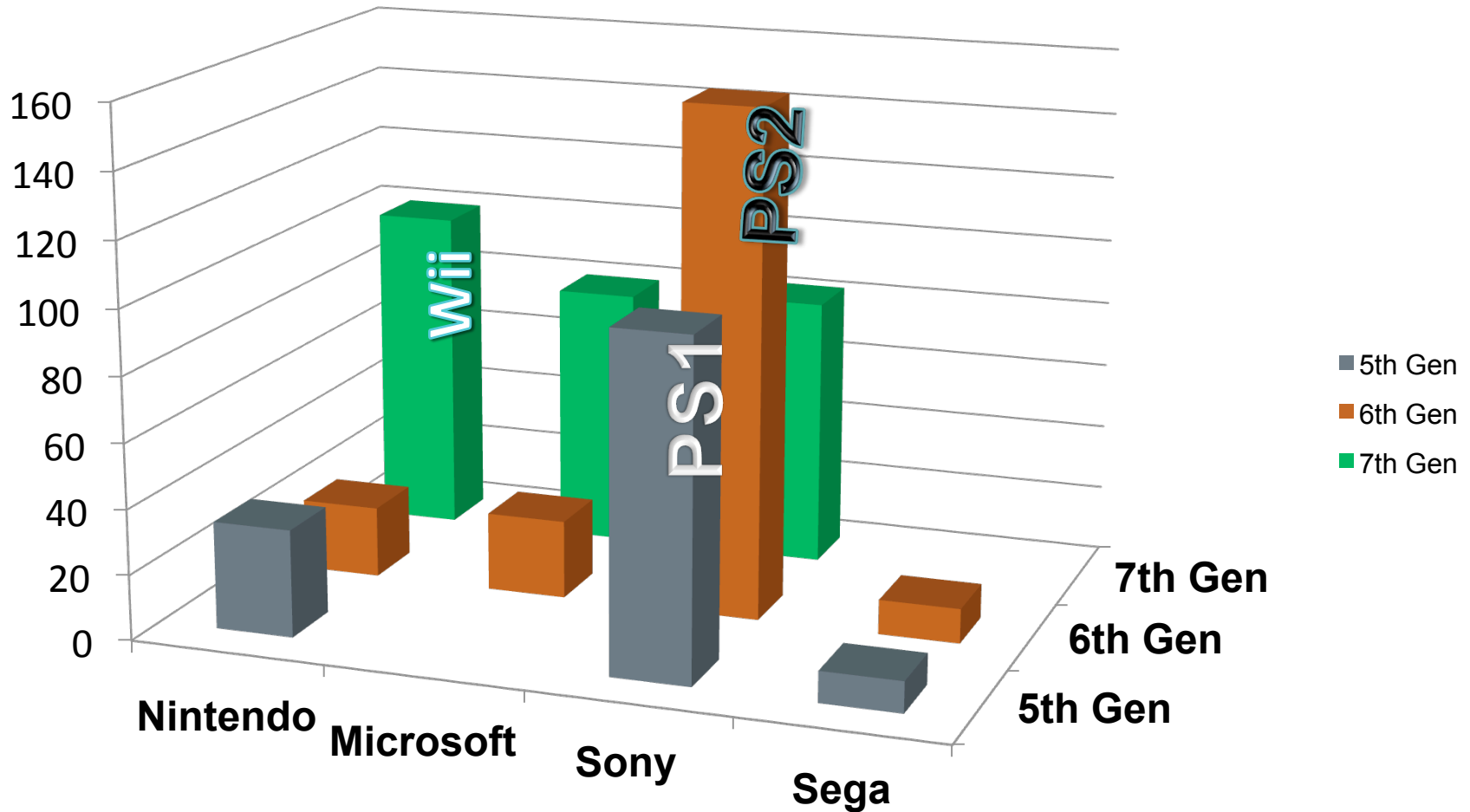
Age of _____, Halo, Flight Simulator, Banjo-Kazooie, Conker, Crackdown, Blue Dragon, Lost Odyssey, Fable, Forza, Kameo, Kinect _____, Perfect Dark, PGR, Shadowrun, Zoo Tycoon, Viva Piñata, Gears of War (owned by EPIC)

SONY

Killzone, LBP, The Order: 1886, Bloodborne, Uncharted, inFamous, Twisted Metal, Warhawk, Sly Cooper, The Last of Us, Ico, Shadow of the Colossus, Motorstorm, SOCOM, Gran Turismo, God of War, Syphon Filter, Jak and Daxter, Ratchet and Clank, Resistance, MLB: The Show, Pixeljunk, Singstar

Console War Worldwide

Sales 2013



A note on sourcing: NPD, shipped vs. sold-through

Console Worldwide Sales

March 2014

PS4	7.2 Million
XB1	5.2 Million
WiiU	6.2 Million*

*Year head start

Console Worldwide Sales

March 2015

PS4	22 Million
XB1	12 Million
WiiU	9.5 Million

Source: Leaked NPD totals
(NeoGAF)