

The video game wii
boosts nintendo net
worth internationally
essay sample



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Nintendo, which competes with Microsoft Corporation and Sony Corporation in the global videogame industry, currently holds the leading position both in the console and the portable game markets. Having shipped more than 20 million consoles, Nintendo Wii is already wiping the floor with both Sony PS3 (10.5 million) and Microsoft Xbox 360 (18 million) (Beer, 2008).

Despite the current worldwide economic slump, the game industry appears to be “recession-resistant” with total videogame console software sales for March 2008 of \$945.6 million, up 63% from the same month last year while overall hardware sales jumped 46% to \$551.3 million according to data released from the NPD Group. The combined hardware and software (including PC) sales were up 50% year-over-year. The Wii console lead the way, with more than the combined sales of the two rival consoles, hitting 721,000 units in March compared to 432 units the month before. During March, the Xbox 360 moved 262,000 units – up 3% from the prior month while the PS3’s sales fell slightly to 257,000 units from 280,800 units the month before.

The current dominance of Wii is largely due to the launch of “Super Smash Bros.: Brawl,” a fighting game exclusive to the console that sold a whopping 2.7 million units during the month in North America. Also, the success of “Super Smash”, the top-selling title for the month made it a double-barreled month for Nintendo, which is also the publisher of the popular game. The company also benefited from continued strong sales of its “Wii Play w/ Remote,” a sports game that comes packed with an extra wireless, motion-sensor controller. That game sold more than 409,000 units for the month.

Nintendo also saw strong sales for its handheld DS device, which moved 698, 000 units compared to 587, 600 units the month before (Gallagher, 2008).

Nintendo Corporation reported a 48% increase in its annual net profit as its Wii videogame console and DS portable-game device continued to sell strongly, but it set a conservative forecast for this fiscal year as a stronger Japanese yen reduces the value of overseas sales. The Japanese videogame maker said its net income for the year ended March 31 rose to 257. 3 billion yen (\$2. 49 billion), compared with 174. 3 billion yen a year earlier. Total sales rose 73% to 1. 67 trillion yen as it sold more Wii and DS devices than it expected (Kane, 2008).

Nintendo Co Ltd zipped past 10 trillion yen (\$85 billion) in market value on blistering demand for its red-hot game machines, having almost tripled in value since launching its new Wii console late last year. Nintendo is now Japan's third-most valuable listed company behind automaker Toyota Motor Corp and Mitsubishi UFJ Financial Group, Japan's largest bank, and analysts see the game machine maker's shares setting more high scores. The popularity of Nintendo's Wii videogame console and DS portable game machine have catapulted the once struggling brand past Sony Corp's latest PlayStation consoles and Microsoft Corp's Xbox 360 and propelled the Japanese company's shares to records in recent years. The stock rose 5. 3 percent to 71, 300 yen bringing its market capitalization to 10. 1 trillion yen — a fivefold increase in the past two years (Takenaka, 2007).

According to Nintendo's Touch Generations website the name " Nintendo" translated from Japanese to English means " Leave luck to heaven". Indeed,

as a company that was written off as a has-been just a few years ago, Nintendo has had a phenomenal run overshadowing Sony's PlayStation with two successful game devices that have taken the world by storm. Nintendo said revenue should increase 8 percent to 1.8 trillion yen and forecast global Wii sales would increase 34 percent to 25 million units this business year, while targeting a 48 percent jump in software sales to 177 million units (Hamada and Gibbs, 2008).

The Wii (pronounced "wee"), priced below that of its competitors, costs 25,000 yen in Japan and \$250 in the US. The Wii product is the follow-on from Nintendo's Gamecube, which lost market share to Sony's Playstation 2 and Microsoft's Xbox. Games and guides on home budgeting, recipes and brain training have helped Nintendo's Wii and DS far outsell Sony's rival machines. Of Nintendo's games, Brain Training for Adults, aimed at older players has been particularly popular (BBC News, 2006).

Nintendo Company Ltd. is a Japanese multinational corporation founded on September 23, 1889 in Kyoto, Japan by Fusajiro Yamauchi to produce handmade hanafuda cards (Nintendo, 2006). In the mid-twentieth century, the company tried several small niche businesses, such as a love hotel and a taxi company. Over time, it became a video game company, growing into one of the most powerful in the industry and Japan's third most valuable listed company with a market value of more than US\$85 billion (Reuters, 2008).

Like the Xbox and PS3, the Wii bear little resemblance to the toy-like game consoles of the 1980s and 1990s. They are powerful computers that have

been optimized for graphics, sound and can handle multimedia and can connect to the Internet. The Wii is a small, thin white box and has a Wi-Fi but it lacks a hard disk, a networking port, and the ability to play DVDs or CDs. It cannot produce high-definition video. It has fewer ports and connectors. The graphics are crude ranging from dated to cheesy and the games lack multiple levels of difficulty.

Why the dominance of Wii?

The Wii was found to be the more exciting, fun and satisfying than the other two new game machines. It uses a motion-sensing wireless controller that can detect your arm and hand motions and transfer them to the screen, so that you can physically control the action. This opens up huge possibilities. In sports games (Wii Sports), you can actually swing a baseball bat, tennis racket, golf club and a pressure-sensitive mat lets users “head” virtual soccer balls. In adventure games, you can slash a sword through the air, throw a punch and experience ski jumping. You make pretty much the same motions, using your full arm and hand that you would make with the real objects. With the Wii, you don't sit on the couch and just press buttons. You typically stand. You get a workout. In fact the Wii controller, a slim rectangular gadget that looks like a TV remote control, has a wrist strap to prevent it from being hurled across the room while you are, say, serving in tennis. The controller also has a small built-in speaker and it transmits vibrations to make the play more realistic (Mossberg and Boehret, 2006).

The PS3's controller, which resembles the one on the previous-generation PlayStation 2, also has some motion sensitivity. But it seems much more

limited, and the controller doesn't vibrate. While Sony's PS3 may gain momentum on the back of new software titles and its Blu-Ray capability for next generation high definition movie discs, that is seen having little impact on sales of the Wii, which is targeted at a different market. While the PS3 has a lot of multimedia features, it is really for hard-core gamers with deep pockets who would spend days mastering all the levels and secrets of a complex game. The Wii is for casual game players, including younger kids and older adults who find the complexity and finger skills required for the PlayStation and Xbox to be intimidating.

With the increasing dominance of Wii, its main rival Sony Corporation slashed the price of its PlayStation 3 with a 20-gigabyte hard drive by 20 percent to 49,980 yen (\$479) before the product launch in late 2006 and lowered it further to 44,980 yen last year to spur demand. Microsoft Corporation on the other hand said it has cut the price of its Xbox 360 videogame console in four Asian markets between 5% and 20% (Lee, 2008). Nintendo, however, does not plan to cut prices of its popular Wii gaming console or DS hand-held game system anytime soon according to Saturo Iwata company's President and CEO. The Wii retails for about \$250 in the U.S. and 25,000 yen in Japan, unchanged since its launch in November 2006 (Associated Press, 2008).

Last September 2007, worldwide sales of the lower-priced Wii overtook Microsoft's Xbox 360. But the Wii's lack of high-resolution graphics may eventually dent its desirability. If Nintendo does not introduce innovations and improvement in its graphic design, by 2011 Sony's PlayStation 3 is forecast to catch up with the Wii, according to Screen Digest, a consultancy <https://assignbuster.com/the-video-game-wii-boosts-nintendo-net-worth-internationally-essay-sample/>

(The Economist). With this in mind, together with games developer High Voltage Software, Nintendo announced the release of a new proprietary graphics engine for Wii called Quantum3 which it claims will enable games to be developed that look like Xbox 360 and PS3 titles. High Voltage claims that Quantum3 will provide a better Wii experience for gamers by enabling the development of games with dynamic bump mapping, light effects, glossing and other visual improvements (Beer, 2008).

A program to help people care for their skin is also planned and Nintendo is coming out with the Wii Fit, an add-on to the gaming system designed to appeal to women looking to lose weight. The \$90 attachment, dubbed the “Balance Board,” expands the range of games that can be played on the Wii to include activities such as yoga and push-ups. The Balance Board — which resembles bathroom scales — also tracks a user’s weight and body-mass index. The Wii Fit is a daring move for Nintendo, aimed at broadening the gaming market — dominated by younger men — to women. (Vranica, 2008).

Indeed, the Video game Wii helped boost the net worth of Nintendo internationally specially in the United States and Europe by offering innovative and easy-to-play games to expand its customer base beyond the young males who make up the core gaming market. As innovations are introduced, it will most likely continue its dominance in the international video game industry.

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