

Case study – wii essay



Nintendo's Wii Case Analysis James Rigney BUSN412 Business Policy January 20, 2012 CASE ANALYSIS Nintendo's Wii COMPANY NAME: Nintendo Co. , Ltd. INDUSTRY: Technology and Communication COMPANY WEBSITE: www.nintendo.com COMPANY BACKGROUND: Nintendo Co. Ltd. Is a Japanese based company founded in 1889. It was originally a playing card company and in 1979 it began to develop its first video game system, known as TV Game 15 and TV Game 6. In 1980, Nintendo develop the first portable LCD video game with a microprocessor.

In 1985 Nintendo developed the 8-bit video game console Nintendo Entertainment System, or NES. As of Dec. 31, 2011, Nintendo had revenue of \$9. 58 billion. This case study will focus primarily on the Nintendo Wii, their newest video game console and look at its sales over the past four years.

SWOT ANALYSIS: Strengths: Nintendo has four main strengths, mover advantage, a strong brand name, their loyalty to the customers, and a very broad appeal.

With the introduction of the Wii, Nintendo had been able to enter the market with new perspective and the Wii's motion-sensing technology has been able to help Nintendo gain more and more customers and prevent them from becoming a failing company Weaknesses: Nintendo is not a technology based company, they rely on many outside suppliers and manufacturers to provide parts for their gaming systems. They rely to a great extent on these third party companies in order to stay afloat. The Wii console lacks many core features, such as high definition, a strong online network, and high quality graphics.

Opportunities: The Nintendo Wii is the only gaming console on the market that is actually turning a profit. In Forbes' 2008 article, "Wii's Future in Motion," they said that the average profit per unit sold is \$6, which amounted to approximately \$180 million in revenue for 2008. Even though Nintendo hasn't been able to compete when it comes to the technological level, they are still able to compete in the market with an equivalent product using their own enhancements and techniques to change the market. They have managed to create a new foundation for innovation.

Threats: The two biggest threats for Nintendo are Sony and Microsoft. To simply put it, there is no telling exactly what kind of new gaming systems either company will come out within years to come. A big issue that hurts Nintendo is the fact that they rely on third party companies to manufacture parts for the Wii system, Microsoft and Sony do not. They have their own reserves and brilliant engineers to help them develop the next generation gaming console that could hurt Nintendo further down the road. Nintendo needs to develop a better infrastructure in order to get prepared for whatever is thrown their way.

PORTER'S FIVE FORCES MODEL: Threat of new entrants: Any new entrants into this industry could be minor. Usually those who are very technologically advanced and well-funded can exist in the market, such as Nintendo, Sony, and Microsoft. Bargaining Power of Buyers: In the video game industry, buyer power is very high. Bargaining Power of Suppliers: The power of the supply is also high as there are more suppliers who are available to no more than a handful of companies in the video game industry. Substitute Products/Services: There are strong substitutes in this competitive market.

Every system needs to add features in order distinguish themselves from their competitors, i. e. : the Wii's motion sensing technology. Each gaming system will constantly have one or more features that sets them far above/below or even equal to their competitors. Intense Rivalry: The three huge players, Nintendo, Microsoft, and Sony, are all trying to control and dominate the market. STRATEGY USED: Nintendo has been able to employ a distinctive strategy when trying to sell the Wii, by making unique. They were able to do this by targeting not just children and teens, but all age groups.

They even eliminated the additional costs and features that you will see in other gaming systems. Of course, Microsoft and Sony have begun to introduce their own motion sensing technologies, and this has caused a major dent in the Wii's market. However, the Wii's low cost is a major advantage that Nintendo has in order to compete in the market. ISSUES AND CHALLENGES FACING THIS COMPANY: In the event that Microsoft or Sony develops and sells a next gen gaming system, Nintendo will have to contend with better advanced products or try and add a new kind of feature to their system.

Global economic conditions will also affect the Wii's run. In the event that the economy stay down, Nintendo's competitors might delay any new gaming thus allowing the Wii's " lifecycle" to continue. As long as Nintendo continues to develop their low cost features and keep their value pricing structure, they should continue to see a growth in market share while their competitors continue to come out with their more than needed expensive features.

COURSE OF ACTION RECOMMENDED: Nintendo needs to take a good hard look at the current economic climate.

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Even though they started out with an advanced gaming console at a low value price, they will need to lower their prices yet again in order to stay growing. Because of the current economy, they have to find a way to transform the current Wii unit they are producing right now. They need to focus more attention to their other products, for example the balance board that allows the gamer to achieve another level of interactivity as well as fitness. Wii players have even begun to start leagues and even teams with many of the games that Nintendo has developed for the Wii.

Nintendo should even focus on this culture and develop newer and better ways for them to communicate and connect better among themselves. Start having online events that invite this culture to join and interact with each other from across the globe. OPINION: Over the years, Nintendo has been able to do an exceptional job in turning around their company when it comes to the video game console industry. With the introduction of the Wii, Nintendo has reformed the way we play video games by making them more interactive. Because of this innovation, they have been able to compete extraordinarily well in this ruthless and powerful market. They still need to catch up with other gaming systems that are more advanced in certain areas while trying to stick with their low value costs. References Dess, G. , Lumpkin, G. , & Eisner, A. (2010) Strategic Management (5th ed.). Boston: McGraw-Hill Irwin. Nintendo Co. Ltd. (NTDOY. PK) Retrieved January 20, 2011 from <http://finance.yahoo.com/q/ks?s=NTDOY.PK> Schoenberger, C. (2008) Wii's Future In Motion. Retrieved January 20, 2012 from <http://www.forbes.com/2008/11/28/nintendo-wii-wii2-tech-personal-cz-cs-1201wii.html>