Nintendo business strategy

Business, Strategy

1. A strategy is the determination of the basic long termgoalsand objectives of an enterprise and adoption of courses of action and allocation of resources necessary for carrying out those goals. Nintendo strategy is an approach or tactic used by the company so as to be the leadingmusicindustry. It begins when a manufacturer sells a technologically advanced console at a price less than it costs to create. Nintendo is a Japanese company that has been a major competitor in the videogame industry since the introduction of the Nintendo Entertainment System in 1985.

In recent decades, Nintendo has developed several successful consoles that allowed it to compete with rival firms and experience great success. Nintendo introduced the Wii. The Wii is an innovative new system that takes advantage of new technologies and targets consumers of all ages. The optimal strategy was differentiation into a neglected segment of the market: casual gamers who wanted a simpler, more intuitive gaming experience. The difference Nintendo is establishing with the Revolution is a low-cost device with an accessible interface.

The accessible interface will largely come in the form of its revolutionary controller, but also in the simple, yet elegant, design of the console. In addition, Nintendo will not only have low-cost hardware, but also low-cost software and a free online community. The console market has a strong threat of new entry. There is very little patentabletechnologyin game consoles, and most consoles tend to have similar features and functionality. The greatest barrier to new entry is the economy of scale; producing consoles is prohibitively expensive unless done on a very large scale.

In addition, a potential entrant would have to develop games to sell alongside the console.

2. Yes it’s fair to characterize it as a blue ocean strategy. The success of Nintendo and the Blue Ocean market space has created mold-breaking Wii console. As competitors continue to duke it out in bloody red oceans, Nintendo’s position is an enviable one, and serves a keen reminder of the heightened relevance Blue Ocean Strategy especially during difficult economic times. Nintendo is undoubtedly fairing best in the face of economic instability as Wii sails past yet another significant sales milestone. Read also about network level strategy

This management risk is relevant to strategy execution in both red and blue oceans, but it is greater for blue ocean strategy because its execution often requires significant change. Hence, minimizing such risk is essential as companies execute blue ocean strategy. Companies must reach beyond the usual suspects of carrots and sticks. They must reach to fair process in the making and executing of strategy. 3. In competitive strategy, we have frameworks and methodologies to test, calibrate, and analyze our competitive decisions.

Yet, we have lacked the tools and methodologies to help us systematically execute market creating and capturing uncontested market space, hence making the competition irrelevant. The advantage for Nintendo is that we always try to do things that other companies don’t try to do. That is something that the general public appreciates. That’s why it has to introduce the Wii Vitality Sensor. Nintendo designs some of the hardware components for its consoles, but manufacturing and assembly are often outsourced, and many components are purchased " off the shelf" from large companies. Read about network level strategy

This keeps costs higher than competitors like Sony and creates a threat of forward integration by parts suppliers, who could potentially manufacture their own consoles. Switching costs are also high, as Nintendo software is made to be compatible with technologies supplied by the outside companies. The situation is different for software. Nintendo does much of the game development for its consoles, though most of its games are made for a fairly young audience. Nintendo has three main products: consoles, handhelds, and software (games).

Typically, only one console product is sold at a time; production of one generation ceases shortly after the next generation is released. Nintendo's console in 2004 was the GameCube, which had been on the market for three years. Nintendo develops software for all of its gaming systems. However, in 2004, faced with strong competition from larger and wealthier rivals; Nintendo had to come up with an innovative strategy to maintain profitability. At that time, the optimal strategy was differentiation into a neglected segment of the market. Although software is expensive to develop, it can be sold at a high margin.

However, most of the software developed by Nintendo was targeted at a younger audience and does not appeal to older gamers. 4. Nintendo needs new genres to makemoney. It makes the majority of their money by leveraging their brand recognition during the early to mid-stages of a genre’s life cycle. The new controller is best seen in light of this larger corporate strategy. Nintendo controls their hardware and they leverage this control to suit their particular business model. Nintendo’s strategy of pursuing innovation benefits the entire industry.

It brings in new audiences and creates new genres that provide innovative and exciting experiences. The radical new controller is a great example of this strategy in action. Their profits will be less, but they’ll keep a lot of genre addicts very happy. Everybody wins when a game company successfully innovates. I see both of these strategies as a necessary and expected part of a vibrant and growing industry. Industries need balance and Nintendo is a major force of much needed innovation that prevents industry erosion and decline felt two years ago with the Wii Balance Board.

It has become quite clear that in order to be effective in the interactive entertainment industry, Nintendo must adapt its corporate strategy to keep pace with the market. In other words, Nintendo must produce innovative products using the newest technology and expand in new markets, while maintaining the high quality of their products.

References

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