

Nintendo marketing mix

[Business](#), [Marketing](#)



QUESTIONS & IDEAL ANSWERS: . 1. Conduct a 4C's Stakeholders Analysis of the Nintendo Wii Market in 2006. Please note that an analysis is more than just a list. You need to describe each stakeholder and how they affect the strategy. • Consumers (note: there's more than one target segment): The case notes that Nintendo targeted non-gamers in addition to gamers. This included consumers of any age and gender. Conversely, competitors like Sony focused on teens and males. The case also mentions moms/housewives and families as targets of Nintendo marketing.

The ideal answer analyzed gamers and a few non-gamer segments, such as moms. Analysis should have included qualitative description -- why is this segment interested in the Wii? -- and quantitative data, such as the segment's size and value. Finding quantitative data required research beyond the case, perhaps to the U. S. Census website. Such data is not easy to find, but this extra effort is what distinguishes an " A" paper. Extra credit was given to creative segmentation, such as targeting businesses and office workers, who might play the Wii on breaks, or doctors who would recommend Wii to their patients. Company (keep this brief: focus on 2006 -- no Nintendo history required): A company analysis is not a history report. It should describe the company's brand, resources, internal stakeholders, strengths and weaknesses. An ideal answer noted that Nintendo has a long reputation in gaming, but with the Wii it built a family-friendly brand " that puts smiles on surrounding people's faces. " In contrast, the competition had numerous violent games. In addition, unlike Sony and Microsoft, Nintendo is not a diversified company.

Its total income is much lower than either of its primary competitors (the case Appendix contains these figures), which meant fewer resources and much more at stake. Either the Xbox or the PS3 could fail, and the parent companies would survive; Nintendo could not afford to have the Wii fail. At the same time, the gaming focus helped position Nintendo as the only pure gaming company: its name is synonymous with electronic gaming. In terms of internal stakeholders, the case talks at length about Satoru Iwata, whose vision drove the company. In a footnote, the case mentions that Iwata had experience as a game developer.

By contrast, the CEO's of Sony and Microsoft have no game development experience. • Competitors (keep this brief: describe both direct competitors and indirect competitors, but focus on strengths and weaknesses -- how much of a threat do they pose?) The case discusses the key direct competitors, Sony and Microsoft. Sony had a strong reputation in high-quality electronics, and its PS2 and PS3 systems emphasized technological sophistication. Sony focused on hardcore gamers with increasingly violent games. This recipe translated into early sales success -- but also high prices.

Sony's weakness was its increasingly bureaucratic nature, and the decline of its other businesses. While Sony was cutting costs and laying off workers, they also had production problems with the PS3 -- a complicated and expensive piece of technology that is supposed to be a multimedia entertainment hub. This made Sony vulnerable to a challenge. Microsoft was primarily a software company with a controversial brand. Research beyond

the case reveals criticisms of Microsoft's monopolistic tendencies, and the fact that Apple was positioning Microsoft as dull and low quality.

Research also reveals significant quality-control problems with the Xbox. Microsoft relied heavily on market timing and quantity of games to promote the Xbox, along with Xbox Live, which enables consumers to play each other online. Despite weaknesses, Microsoft and Sony were still formidable competitors -- Nintendo knew it couldn't compete by doing the same things they were. Nintendo had to do something vastly different -- even disruptive. Indirect competitors include PC games, Web-based games and phone-based games. You could even mention non-gaming entertainment, such as YouTube and Facebook, as indirect competitors. Community (focus on complements and collaborators): Game-software developers were both collaborators and complements. These developers worked with Nintendo to create games exclusively for the Wii -- such games do not work on any other platform, so their fate is tightly tied into the Wii's. They were complements in that hardware sales affected software sales, and an interesting game could boost Wii sales. The broader community, according to the case, includes doctors and therapists who recommend the Wii Fit to patients.

Thinking outside the case study, the community also includes the news media -- like the New York Times -- reviewed the Wii and reported on the shortage and long lines of buyers. This increased desire for the product, and enabled Nintendo to limit its advertising expenditures. 2. Create a positioning map. Your map must include the Nintendo Wii, Sony PlayStation and Microsoft Xbox, and the target consumer segments you described in question 1. You

may hand-draw the map or use any software you prefer, but the map must be pasted into the body of your document. • You choose the criteria that are most relevant and important. You're allowed to guess what the consumer segments want, but you will receive extra credit if you can find any research or data on gamer preferences. • Do you see any opportunities on this map for new competitors? We discussed positioning maps in the forum. You needed to draw a similar map here. The two criteria must be product features important to consumers. For video games, this might include price, complexity, family friendliness or graphics quality. It does NOT include sales (few consumers care how much money a company makes) -- though you could argue for "scarcity" or "popularity" as viable criteria.

Consumer segments should appear on the map according to their preferences. This example uses Price and Game Complexity as criteria: [pic] The blue star represents the Wii, the green triangle Xbox, and the red circle PS3. The PS3 combines the highest price with the highest complexity, while the Wii combines the lowest of both. Consumer segments are represented as letters: NG = Non-Gamers, CG = Casual Gamers, HG = Hardcore Gamers. The Hardcore Gamers prefer the PS3 in terms of complexity, but would like a lower price. The Non-Gamers want a low price (they don't want to pay anything) and a simple game.

The Casual Gamers want something in between, but are closest to the Wii. You can see that the Wii appeals to two segments, while the PS3 and Xbox fight over just one segment. This leaves an opening in the middle for a competitor who can appeal to the Casual Gamers -- the iPhone, perhaps? All

these positions are based on qualitative analyses presented by the case. For this exam, I allowed you to simply estimate what consumers wanted. In the real world, you would conduct market studies and consumer surveys to find exact preferences.

If you actually did find actual research or survey data on segment preferences in video games, I gave you extra credit. Also, on an ideal map, the symbols vary in size depending on sales and value. Since Wii led the market, its star would be bigger than either the circle or the triangle. Hardcore Gamers might be the most valuable segment, since they're willing to spend more money on games; the HG would then be bigger than the other letters. Drawing a positioning map tends to be the most challenging question in this exam, so I am fairly lenient in grading. However, many students still have trouble with it.

That's why it's important to participate in the forum. 3. Describe Nintendo's Marketing Mix strategies for the Wii. Be sure to describe the strategies behind each element of the marketing mix, and how they differentiated the Wii from the competition. • Product (keep this brief: focus on Wii's Unique Selling Proposition -- what makes it truly different): The Wii's unique selling proposition -- compared to the Xbox or PS3 -- is simple games based on physical motion. Consumers don't need thick manuals or long learning curves to enjoy the Wii, which attracts casual gamers and non-gamers.

You could also discuss Wii's family-friendly, non-violent games. • Price (for the United States only): In 2006, the Wii sold for \$250 (or \$249) and included five games for a "complete" product, yet Nintendo still profited on each unit

sold. (The games are less sophisticated and cost less to produce than the competition's.) Sony's PS3 started at \$599 and was cut to \$499. The Xbox sold at \$479. Despite these significantly higher prices, both Sony and Microsoft lose money on each unit sold. Neither the PS3 or the Xbox originally came with games, so to make a profit, Sony and Microsoft charged high licensing fees to game developers.

This in turn translated into expensive games. • Place (think in terms of retailers and product supply): The Wii sells through traditional and online retailers, such as Best Buy. More significantly, in 2006, the Wii was continuously in short supply. This is an important distribution (place) issue. If consumers can't buy your product, you not only won't make money, you send business to your competition. However, in the case of the Wii, the shortages actually increased consumer desire for the product. Since there were long lines and waiting lists for the product -- and numerous major news stories about it -- consumers assumed the Wii was good.

Since there was a greater supply of PS3's and Xboxes than demand, consumers assumed they weren't as interesting. Consequently, some consumers simply waited for new Wii shipments; others searched stores and websites and paid higher than the retail price. Some analysts believe Nintendo had a policy of intentional scarcity. This is a common practice in marketing: some companies produce a limited supply of a certain product to increase its perceived value. For example, luxury car companies have "limited edition" models, fashion designers produce a few of each product, most universities do not accept everyone who applies.

The Wii shortages increased both consumer desire and news coverage -- which was key since Nintendo could not compete against Microsoft and Xbox in advertising. • Promotion (describe the advertising budget and any ads): This required research, since the case was not explicit about advertising expenditures. Searching for Nintendo advertising budget on Google reveals a number of estimated figures, ranging from \$85 million to \$200 million. Any reasonable estimate was fine if it was referenced and came from a trustworthy source (not someone's personal blog).

The important point was to have you practice corporate research, and to show that Nintendo did not rely on "word of mouth" alone to generate sales; it spent millions of dollars to get the word out. More research reveals the Nintendo Wii commercials (http://us.wii.com/tvcm_usa_gallery.jsp), which emphasize people enjoying the game, not the graphics. The very first commercial (found on YouTube and other video sites) shows two Japanese men visiting American homes with the game and announcing, "Wii would like to play." This underscored the Japanese origins of the Wii, which enhanced its credibility.

In addition, the case mentions a word-of-mouth campaign in which suburban housewives were given games in hopes that they would share its value as family entertainment. Overall, the promotions establish the Nintendo brand as family friendly, fun and physical. By contrast, ads for the Xbox and PS3 emphasized the sophisticated graphics and often fast, violent action -- not an attraction for casual gamers. 4. Answer just ONE of the following questions. If

you answer more than one, only the first answer will be accepted. This is your opportunity to use your imagination, so be creative.

Your recommendations here had to make sense based on the company's brand and resources. You couldn't just say " spend more money on advertising" or " increase distribution. " Of course, all companies would like to do that (unless product scarcity is part of their plan) -- but could they afford to? Your answers also had to be specific -- you couldn't just say you would make your product " higher quality" or " more fun. " You needed to state exactly what you wanted to achieve. More points were granted for originality and creativity. If you decided to work for Sony or Microsoft, and all you did was copy Nintendo, you didn't get many points.

Above all, your answers had to be marketing driven. If you talked about improving factory efficiency or hiring the best engineers, those were answers for another class. A. If you were the VP of Marketing for Nintendo, what would you have done differently? This is the hardest of the three questions, since Nintendo was already successful. You could make more products available so that there weren't any shortages, but how would this affect the benefits of product scarcity? Also, assuming Nintendo was already producing as many games as it possibly could, where would it get the extra production capacity?

You could argue that Nintendo should have launched with a higher price, using a skimming strategy to profit off early adopters, and then lower pricing as production caught up. That would make sense -- but it wouldn't have created the buzz of the product shortages. Some other ideas could involve

different target segments, such as schools or hospitals. B. If you were the VP of Marketing for Sony, how would you respond to the Wii? One of Sony's advantages is that it's the only one of the three companies to produce entertainment content, such as music and movies (like "Spider-Man").

How could they have leveraged that content to make the PS3 more attractive? Sony also produces other electronics equipment. Could you have integrated those products, perhaps in a bundling special (buy a Sony HDTV and get a PS3 free) or by making a game that uses a Sony Camcorder? C. If you were the VP of Marketing for Microsoft, how would you respond to the Wii? Microsoft's key advantage is that it creates the operating system that runs most of the world's computers. Is there a way to combine personal computers and the Xbox? (That would have helped them compete against Apple, as well. Since Microsoft lost money on the Xbox console, why not just focus on the software market? D. Is there another competitor that might be a significant threat to all three of these companies? If so, who is it, and why are they a threat? How should Nintendo respond to them? PC Games and the phone-based games are two possible competitors. Dell, for example, makes sophisticated gaming computers under its Alienware brand. Nintendo's response could include making its controllers compatible with Dell computers. Or perhaps Nintendo could collaborate with Apple to make iPhones interact with the Wii. There were lots of possibilities here.