

Case study nintendos disruptive strategy marketing essay



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Before the introduction of Nintendo Wii into the market, the games segment was shrinking in Japan and worldwide and the senior manager of Nintendo saw the threat in the market. Based on the key trends and market data, the reason was due to the complexity of the video games in the market.

With the introduction of Wii to target the non-gamers segment, and the unique positioning in the market along with its unique communication plan, Nintendo was able to capture a bigger market and they become the leaders in the gaming segment.

Wii has now been in the market since 2006 after the 2 pioneer companies had launched their games in the market. Since then, Nintendo Wii changed the rules of the game with its strategic positioning in the market. Nintendo Wii re-defined the needs of the market and they shaped the market based on these needs to secure the leadership in the gaming console segment for both gamer group & previously non-gamers.

In addition to becoming the world leader in the gaming market, Nintendo Wii is still improving and expanding to get along with new customers and getting recommended by Health care professionals and physiotherapists.

Executive Summary:

“ Sometimes You Don’t Need to Fight to Win a War”. A slogan in the book Thick Faces, Black hearts clearly defined Nintendo strategy to regain a lost market share.

Nintendo Wii is one of the latest console systems to stir up great hype in the gaming industry since its launch. Formerly known as the Nintendo Revolution, it has a great impact on the approach to gaming.

In early 1980s, Nintendo dominated the game console business with their cartridge-based console gaming system. However during the mid 90s they lost their dominance to Sony PlayStation. On 19 November 2006, Nintendo launched its fifth home video game console: Nintendo Wii, the direct successor of Nintendo GameCube, to compete with the Microsoft Xbox 360, Sony PlayStation 3, and the rest of the seventh generation video gaming systems.

In 2008, Business Week-Boston Consulting Group ranking of the world's most innovative companies, " Nintendo" was ranked 7th, up from 39th the previous year. In 2008, Nintendo sold 70 million Units worldwide.

Nintendo Wii with its disruptive strategy reposition itself by developing a radically different console, focusing on the non-gamers group which was neglected by the market leaders (Sony & Microsoft), also Nintendo Wii focused on emulating the real life games.

In addition of becoming the home gaming system for the family, Nintendo Wii has expanded to enter another market, Wii Fit, which was also a new target group which was neglected by competitors. The Wii proved to be a runaway success and, by September 2007, Nintendo became Japan's most valuable listed company after Toyota, having zipped past US\$72 billion in market value and almost tripling in value since the launch of the Wii the previous year.

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In terms of profitability, Nintendo was in an enviable position of making a profit on each Wii console sold from the first day. Sony, on the other hand, had already slashed the price of the PS3 by US\$100 to US\$499 to help boost sales of the console. This was still US\$20 more than Microsoft's most expensive version of the Xbox 360 and about twice the price of Nintendo's Wii.

Nintendo Wii key strategy was to target a broader demographic than its competitors. They had created an innovation that incorporates both refreshing gaming experience and user-friendly interfaces to target the previously untapped portion of the demographic. Gamers of all ages, including female players and the elderly, are getting into the action of Nintendo Wii. Their strategy was also to have low price units affordable to broader range of customers. This was made possible by lower production cost strategy. With such a successful strategy, Nintendo created their own market place that offered value innovation for their customers at lower price.

However, Nintendo Wii still has room for improvements should they want to maintain the gained market share. Eventually the Wii gamers will evolve requesting a better more technologically advanced Wii in terms of HD capabilities, graphics and superior gaming experience yet maintaining the simplicity and family approach. Nintendo has 3 main scenarios to protect their market share;

1- Launch a newly modified Wii that combines the original gaming concept of Wii but supported with high technology

2- Further utilize the web interface to build the new millennium console.
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3- Maintain a lower price strategy vs. its rivals. A strategy that sounds difficult with the added cost of superior technology

Main Report and Questions Answers

Questions 1:

Describe Nintendo Wii three main target consumer groups. Represent them on a positioning map and add two direct or indirect competitors for each type of consumer.

This question can be answered on two scenarios, the first one related to the use of the games (Easy or Difficult) Exhibit 1 and the second one is based on Age Exhibit 2

Nintendo repositioned itself by developing a radically different console Wii which is focusing on the video gamers and the non gamers group which is neglected by competitors.

Nintendo Wii has these 3 main target consumer groups:

Young adults who are interested in uncomplicated games with an easy set up. This group were not attracted to PS or any other complicated games in terms of set-up and running.

People who are willing to make benefit from training and exercising their bodies while playing these interesting games which simulate the real playing.

People who like to hang up with friends or family member and enjoy their time by playing these in-house games.

Exhibit 1

Complicated

Uncomplicated

Nintendo Wii has defined their strategic brand focus and business targets for Wii as follows:

Exhibit 2

Ambition: Secure leadership in the console gaming segment through:

- 1- Focus on Wii as the preferred home gaming system for the whole family.
- 3- Focus on expanding the market through Wii Fit
- 2- Focus on Wii as the preferred gaming for the professional gamers

Business targets:

- 1- Be the market leader in the US console segment, making a profit from the first console sold from the first day.
- 3- Outsourcing all productions of Wii, with more than 1 supplier for the same part to increase production and reduce cost.
- 2- Be the market leader worldwide in value and volume in games worldwide.

Nintendo targeting strategy was based on expanding the target customers beyond the core of young men and include the non gamers segment. Those included older males such as dads and grand parents, females such as

women and moms and also get a big share from the classical main gamers market who are males and usually with age range of 16-26 years

Exhibit 3

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Questions 2:

What is Wii's unique selling proposition? How did the brand translate this competitive advantage in its promotion strategy?

Playability by all and this means a change towards all users' types. Shifting from a race on superior technological advantages to a more user oriented friendly strategy.

Nintendo aimed to let people rethink about gaming, and make gaming part of their life. In order to achieve that, Nintendo had to carry out bold and brand-new moves, to prevent loss in market share.

Nintendo Wii changed the rules of gaming market, through offering the console which is the Unique Selling Proposition which was impressive, as easy to use, motion detector to translate the movement of the wand into the screen, allowing a real life games.

The following describes the strategies adopted by Nintendo in market, technology and business aspects.

Reaching Beyond Existing Gamers:

Besides the existing supporters, Nintendo targets to open a mass market of first-time game players or even non gamers, women, and older consumers,

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not typically drawn to this form of interactive entertainment, thus creating an uncontested market place.

New and Easy-to-use Controller:

Mastering complex controllers, festooned with buttons, triggers and joysticks have already stopped many novices or non-gamers to be interested in games. Therefore, Nintendo designed consoles with a new, easy-to-use controller, totally different from the conventional one. For instance, the Nintendo DS – touch screen, and Nintendo Wii -wireless controllers, which can be wielded as a weapon, or for various sports equipment during game play. This ease of use has given Nintendo a great advantage over their rivals

Shortening the Game Time:

To many people, playing games involves investing enormous amounts of time. With hectic lifestyles, consumers are not keen to try epic games which usually take dozens of hours to complete. Thus, Nintendo designed simple games, such as

“ Wii Sports”, that only requires play time of a few minutes per game. The shortened game time may appeal to non-gamers or casual gamers.

The Budget Console:

Consumers want great entertainment experiences and products that are value for money. Nintendo aims to provide both. Nintendo launched Wii as a budget low cost alternative to Sony PS3 and Microsoft Xbox.

In addition to a low priced console, Nintendo included free games that had excellent consumers acceptance and where considered one of the best games so far (Bowling, Golf ...etc).

More than this and a part of their Promotion strategy:

Nintendo Communicating the Wii® message to customers in an increasingly challenging environment, dominated by two market leaders: Sony and Microsoft who launched their new generation games within the same period of time of Wii, or even they were a bit earlier in the market.

These challenges in the gaming market may be considered as opportunities:

Sony and Microsoft are targeting the teenagers and the adults (the gamers).

Complexity of the video games which resulted in market shrinking.

All the communication strategy are built upon the positioning of Wii as (a machine that puts smiles on surrounding people's faces), encouraging communication among family members as each of them found something relevant and are motivated to turn on the every day in order to enjoy the "new life with Wii"

The objective of the promotional strategy was to:

Expand the market to non-gamers whom are considered new target groups that need different communication strategy especially moms, so they hired carefully chosen suburban housewives to spread the word among their friends that Wii was a gaming console the whole family could enjoy together. And in some countries like USA There was many live demonstrations in big

malls and shopping centers in which young recruited employees are offering people of different ages to play free and to test how simple and fun he can practice the sport he likes at home, with the benefit of burning fat and having fun together.

Expand the market through creation of new market that targets the physical fitness level games “ exergaming”. Wii Fit created a new definition to assess the fitness level between the customers.

Attract the gamers segment, through featuring of Wii into the gamers featured sites like YouTube and social networking sites.

Questions 3:

From a Strategic perspective, cite the main reasons why Nintendo’s approach is disruptive in the video games industry? Which product should they launch next?

Well, it is a disruptive strategy as past success paradigms were broken and new one are written. While all predecessors had all introduced incremental modifications to the original Nintendo Entertainment System NES, the Wii changed several laws and underlying assumptions, thus making it a truly rule-changing experiment.

The market was based on trying to come with superior cutting edges technologies, and improve the gaming experience in terms of complexity, power and graphics. The Wii offered a change on all orders of things and set new standards for other consoles, thus capping their expansion into new market segment where HD graphics and faster CPU do not constitute credentials. Nintendo followed what is called a blue ocean strategy *. Blue
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ocean strategy is defined as the simultaneous pursue of differentiation and low cost. Creating a new category and then branding that category in such a way that your brand is perceived as the innovator and category leader (in both senses of the word) is the essence of successful marketing today. Have a lower price and you win the war.

However, Sony and Microsoft will come up with something to counter the Wii, but “late” is better than “never”. Both companies have realized that non-hardcore gamers represent their future growth – that’s what Nintendo itself said too- and if they want to cash on this new manna, they have to have motion-based games that seem so popular.

Both Sony and Microsoft will definitely have a product in this new segment. This should create a pressure on the Wii success.

Nintendo will be the “loser” of this story if they do not come up with a new idea or modify on the existing one. However, the low price of the Wii will protect them in the short term, and they have some time before competitors have real products.

Conceptually, they should come up with a vision-based solution without the use of motion sensors, although the weakness in processing power would probably limit their development abilities. Their new product should be combining the simplicity that was with the current Wii consoles but also should include the high technology that the classical hardcore gamers will use. This will create a state of the ART brand that is not only different but also superior. A WiiToo or a Wii2 should combine the original Wii

characteristics but also should have the high HD technology and superior
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graphics that the current competitors have. Utilizing the web is the key to further enrich the brand characteristics in front of competitors. Launch a web based competition between different Wii gamers online could add to the attractiveness of the brand.

From a strategic perspective, Nintendo changed the rules of the gaming market, Nintendo changed the market because:

The market was not really defined. They defined the market, and also they defined the needs of the whole family.

Nintendo created more competitive share of voice and competitive strategy.

They were proactive in their promotional strategy to redefine the market.

Capturing new segment and new customers in the video games segment.

Redefining the fitness levels.

Getting recommended by specialists and therapist to improve the fitness levels for their patients.

So the product that should be is a product extension of Wii such as new generation of Exergaming (Wii Fit) because the market has been disrupted and the new name-of-the-game has been established well so Nintendo should capitalize on its success with Wii and start producing product extensions for the product life cycle stage of maturity is starting to decline and then it can think of disrupting the market again.