

OCTOBER 26, 2022



# GAME ON!

**Team 03**

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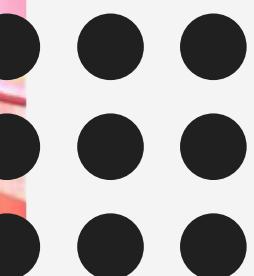
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**Key topics for discussion**

# Presentation Outline

- Intro and outline
- Timeline
- SCQA
- PRESTO
- Competitor
- Current Situation
- Recommendations
- Concluding Remarks



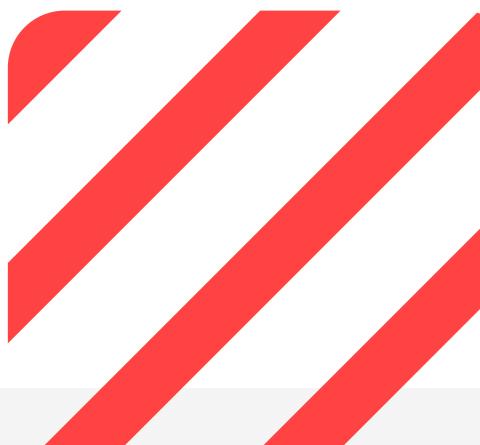
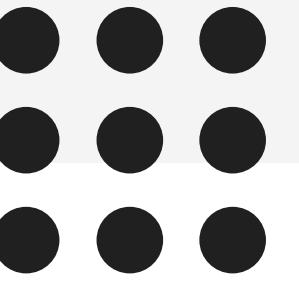
# Intro & Outline

Founded in: 23 Sept 1889 (133 Years ago)

Founder: Fusajiro Yamauchi, Kyoto, Japan

Started with : Hanafuda (Flower Cards) Game

Most popular products/characters: Nintendo  
DS, GameBoy, Wii, Super Mario, Zelda.



# Timeline of Events

## A brief look at Nintendo's History



1889

Fusajiro Yamauchi founded Nintendo as a Playing card company

1929

Sekiryō Kaneda, as the second leader of the company

1949

Hiroshi Yamauchi, his 22-year old grandson, became the third president of the company.

1966

Introduced a toy called Ultra Hand

1974

Nintendo created a stir in the arcade gaming market with its introduction of Laser Clay Shooting System

1984

Nintendo launched the Nintendo Entertainment System (NES), the first video game console targeted at families.

1989

Game Boy Launch

1990

\$2 billion in revenue

1994

Sony Play Station & Sega Genesis Launch

2001

Game Boy Advance and Game Cube Launch

2004

Nintendo DS Launch

2007

Wii sales double

2014-15

Kimishima the 5th president appointed faces numerous challenges

# Understanding what's going on with SCQA

## SITUATION

Sales of Nintendo video games and consoles are facing stiff competition from Sony & Microsoft. As a result, sales have started to decline. The gaming market is moving away from consoles to online and mobile gaming.

## COMPLICATION

Nintendo in 2015 had a revenue of \$4.56 Billion, they were struggling to maintain a market share of 10%

## QUESTION

What should be the main focus of Nintendo keeping in mind the growing opportunity and declining sales?

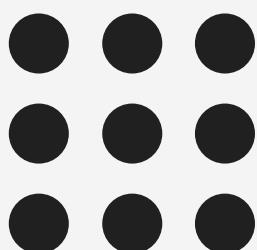
What other revenue streams can be generated using Nintendo's existing IP and licenses?

## ANSWER

Stay Tuned!



# Knowing the playing field with **PRESTO -** **Part 1**



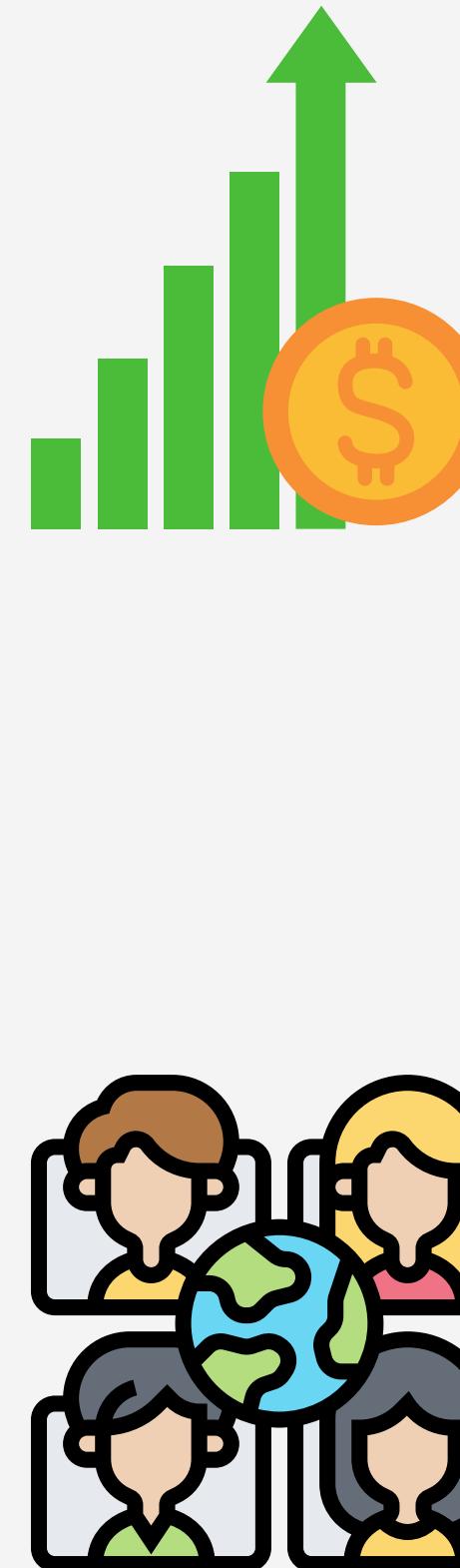
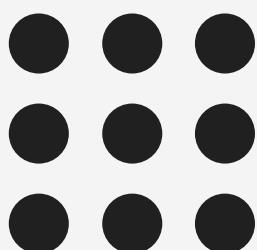
## POLITICAL

- Nintendo won a long battle in Italy in a specialized intellectual property court in Milan.
- Nintendo fought similar legal cases in other countries such as Brazil, Spain, Mexico, the United States, and France.

## REGULATORY

- Nintendo had decided to change their policy by expanding their character licensing business, including proactively finding appropriate partners.
- flexible about forming licensing relationships in areas such as digital fields, provided they are not in direct competition so the a win-win relationship can be formed.

# Knowing the playing field with **PRESTO -** **Part 2**



## ECONOMIC

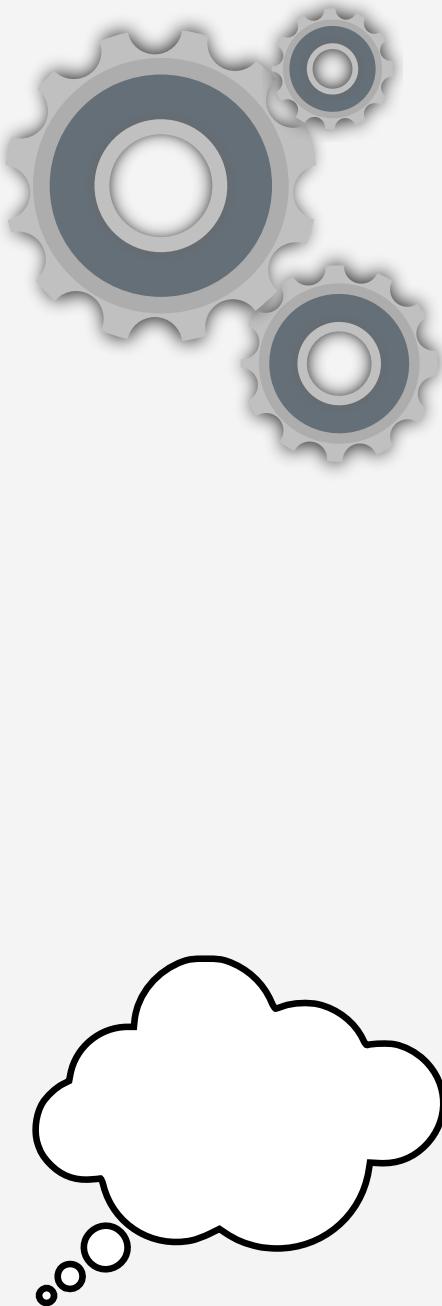
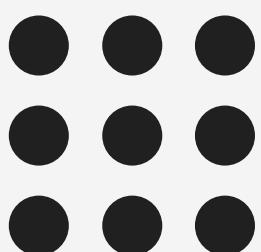
- Successive Wii Consoles lacked innovation which led customers to move away from Nintendo to Sony and Microsoft.
- In 21st century micropayments had been successful in monetizing online games such as “Candy Crush,” “Farmville,” and “Angry Birds.”



## SOCIAL

- Nintendo defined and created gaming's standards, and people would queue up for hours for new Nintendo products.
- Nintendo stormed across the console gaming markets in Europe and North America. All the game developers, graphic designers, and game creators were focused primarily on Nintendo platforms.

# **Knowing the playing field with PRESTO - Part 3**



## **TECHNOLOGICAL**

- Technological preferences of people are shifting more towards online. They are looking for a more consolidated way to play games over consoles.
- Non-American companies such as Nintendo started to export their arcade products to the United States. Given the advanced technology in Nintendo's products, it became the preferred vendor in the United States.

## **OTHERS**

- The popularity of smartphones and online gaming exploded. The number of gaming companies multiplied and focused on games to be rendered on mobiles and tablets while giving a similar experience to a game played on a bigger screen.
- Now, the gaming companies could gain revenues with in-app purchases, in-app advertising, and mobile advertising.

# DIRECT COMPETITORS



SONY PLAYSTATION

- Leveraged superior audio & video tech, huge library of games with 3d visuals with better processing speed
- In first year Sony beat Nintendo by 1.45 billion in sales
- Outsourced all manufacturing, reducing COGS making product, more competitively priced
- Sony with 55% market share when launched PlayStation 3 in 2006
- Market Leader with 21.20 Million console unit sold and 11.52 million and gaming revenue



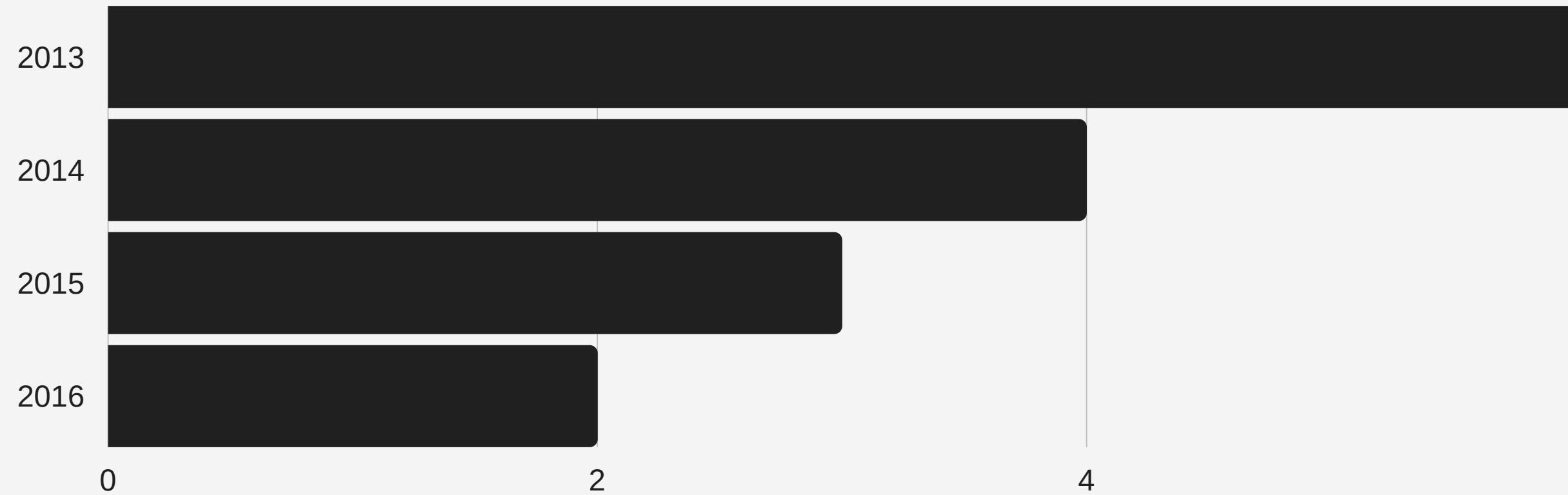
MICROSOFT XBOX

- First launched to compete with PlayStation become second leader in the market eventually
- Heavy R&D investment , build large exclusive library of content
- Continued to innovate with interportability with set top boxes
- Growing thorough acquisitions model
- Lost battle to sony (2 billion) but still in market, Microsoft strategy changed as a company
- Second in the market with 12.3 Million console unit sold and 6.57 Million gaming revenue

**Bottom line ->**PlayStation and Xbox had an increasing revenue trend over the years in contrast to Nintendo's decline.

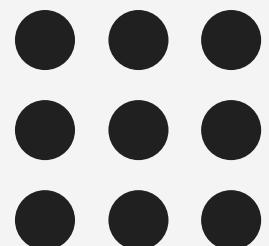
# Nintendo's shaky situation if nothing is done

**Revenue Graph**





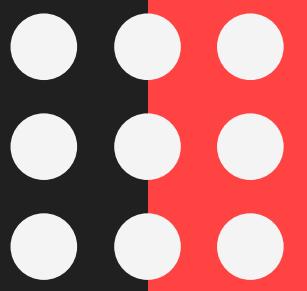
Is it Game  
Over for  
Nintendo?



# Recommendations and next steps



NINTENDO AIN'T  
DONE YET!



Let's review our  
options

## DO NOTHING

Continue with present strategy with no change

## EXPAND MERCHANDISING, LICENSING & PARTNERSHIPS

Capitalize on value of present IPs.

## SHUT DOWN HARDWARE DIVISION

Put all focus on software and sell off this division

## EXPANDING INTO MOBILE GAMING

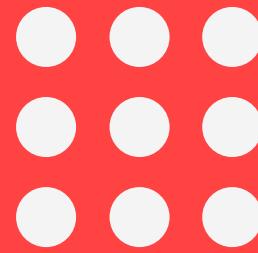
A large and growing market where Nintendo has an opportunity to grow

## AGGRESSIVE POSITIONING AGAINST RIVALS

Trying to eat into Playstation and Xbox's market share

## INVEST IN HARDWARE R&D

Recreate the success of the Nintendo Wii by following a similar strategy



# what not to do



**DO NOTHING**

(Obviously)

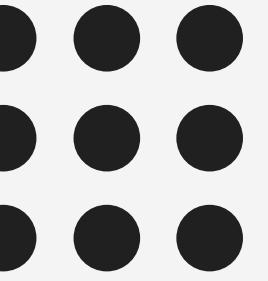
**SHUT DOWN HARDWARE DIVISION**

At least not immediately, since Nintendo still holds significant market share and has a large customer base.

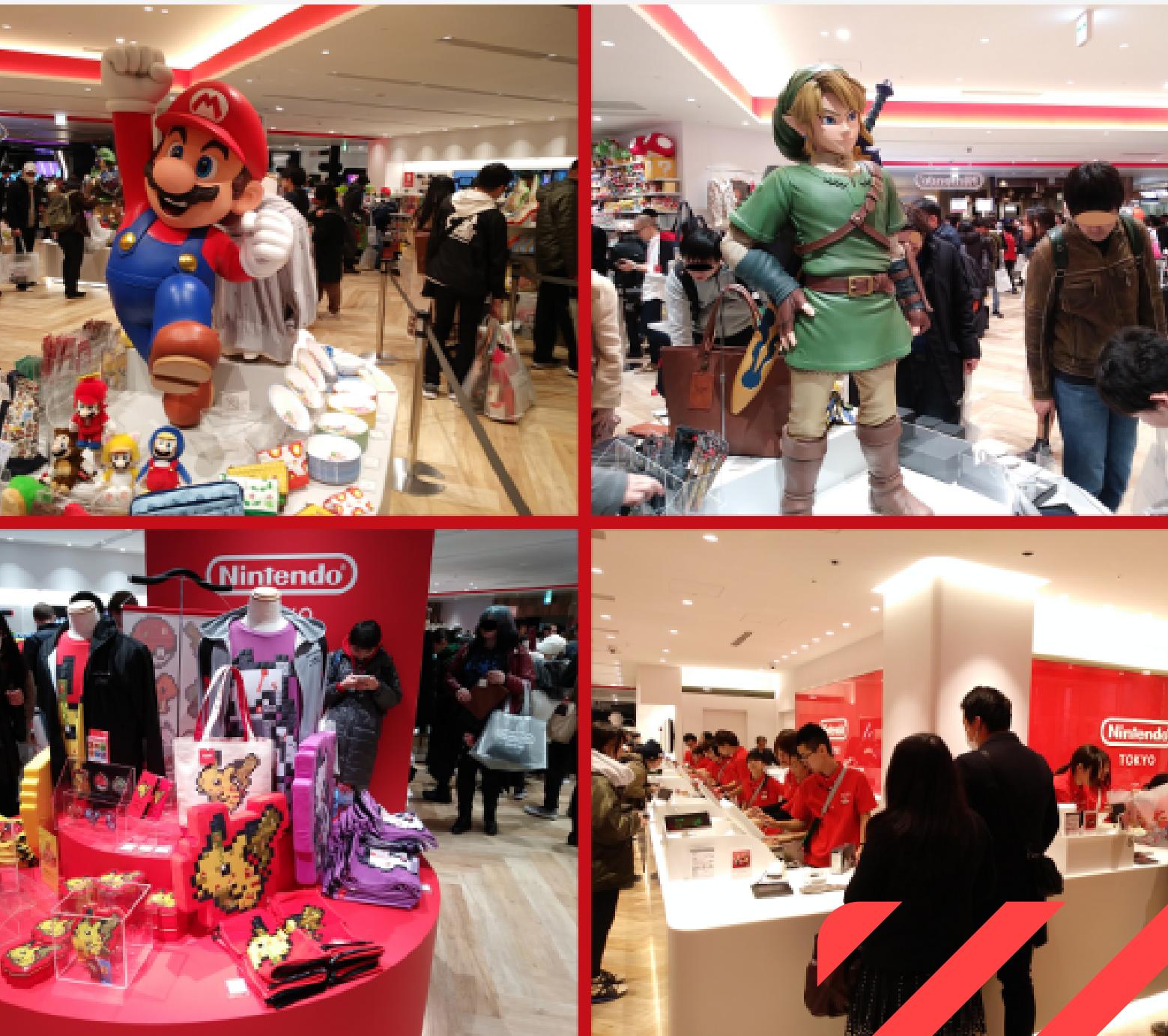
**TRYING TO BEAT SONY AND  
MICROSOFT AT THEIR OWN GAME**

Red Ocean all over again.

# Merchandising, Licensing and Partnerships



- Valuable & extensive IP portfolio with global recognition and appeal.
- Licensing opportunities with 3rd party partners.
  - Apparel lines with Adidas, Nike, GAP etc.
  - Themed attractions and media tie-ups with Disney, Universal Studios etc.
  - Licensing IP to quality items like High-end devices or theming options.
  - Partnering with Lego and other toy makers
- In-house merchandising should be the long-term game-plan.
- Improve internal supply chains and operations overtime.



# Expand into Mobile Gaming & Asia-Pacific

- Mobile gaming - 33% of gaming revenue in 2015, projected to reach \$44.2 Billion by 2018.
- 95% are mobile gamers with 50% in Asia-Pacific.
- Mobile gaming and the micropayments monetizing model.
- Partner with Asian gaming majors like Tencent to break into the Chinese and Asia-Pacific Markets.
- Focus on globally recognized IP like Super Mario and Pokémon before expanding into other IP.
- Develop mobile-first IP with long-term self-sufficiency.
- Expand Online-services and study feasibility of Cloud gaming options



# Return to Intuitive and Innovative Hardware

- Nintendo Wii was a success by expanding beyond its intended market through its innovative, user-friendly design.
  - Nintendo is in a similar situation as before the launch of the Wii.
  - Invest in developing a more intuitive console that emulates the Wii's strategy, while also catering to existing customers.
  - If sales figures do not reach the Wii's 2-year sales, hardware division can be spun off, sold or divested and can focus on software.



# WHAT'S NEXT?

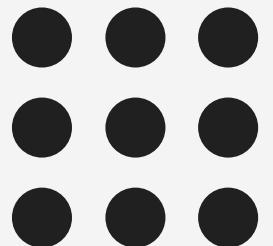
**INVEST IN EXPANDING MERCHANDIZING OPERATIONS.**

**INVEST IN GROWING LICENSING IP AND PARTNERSHIPS IN NEW VENTURES.**

**EXPAND INTO MOBILE GAMING AND THE ASIA-PACIFIC MARKET WITH THE HELP OF PARTNERS.**

**INVEST IN HARDWARE R&D BUT WITH STRICT TARGETS**

**Summarizing our  
Overall  
Recommendations**



Let's 'a go!

# Q/A

**THANK YOU FOR YOUR TIME!**

