

Pikapika – Welcome to the Nintendo world

Report for Nintendo company and its customer loyalty program

1 Company introduction

Nintendo is a Japanese video game company founded in 1889. It is one of the largest and most influential in the current industry. Leader manufacturer of video game consoles and software, Nintendo has created the Nintendo Entertainment System (NES), the Game Boy, the Nintendo DS, the Nintendo 3DS, the Nintendo Switch, and many others. Nintendo is also known for creating some of the most popular and enduring video game franchises of all time, such as Super Mario, The Legend of Zelda or Pokémon. The company has a strong commitment to quality and innovation. Thanks to its long history of pushing the boundaries of what is possible in the world of video games, the company has earned a reputation for producing high-quality products that are enjoyed by millions of people around the world.

In addition to its video game products, Nintendo is also involved in other areas of entertainment. For example, the company has produced a number of successful video game-based television shows and movies, such as the Super Mario Bros Super Show! and the Pokémon anime series. Nintendo has also released a number of toys and other merchandise based on its popular video game characters.

2 External Environment

2.1 SWOT analysis

2.1.1 Strength:

- 1. Experienced Video Games Company:** Unlike some of the newbies in the gaming industry, Nintendo has the experience of more than 130 years. It has evolved from manufacturing playing cards to manufacturing real-looking video games and gaming consoles. (Frue, 2022)
- 2. Various self-made games:** From action to adventure, puzzles, strategy games, simulation, role-playing, races, sports, and educational, Nintendo's wide variety caters to every situation.
- 3. International Acceptance:** If we recall, Nintendo was established in Kyoto, Japan. From there, it started growing, and it spread internationally. Currently, Nintendo is operating in 27 countries across the globe.

4. **Players with a wide range of ages:** Nintendo has different varieties of games, which covers the type of anime for kids or teenagers; adventure for adults or puzzles for older people. So we can see that Nintendo makes games that fit nearly all ages.

2.1.2 Weakness:

1. **Missing out on Developing Markets:** Although Nintendo successfully spread its operations in different countries yet, it chose not to operate in developing economies instead. Though getting hold of a massive number of customers from developed countries is maximum, making these countries your sales focus might not be the best thing to do. (Wondershare EdrawMax, 2022)

2. **Slow Response on Demand:** With schools closed and billions of people staying at home and practicing social distancing, the demand for **Switch** increased drastically, but Nintendo's response was not fast enough leading to stock-outs and shortages. (Kain, 2020)

3. **Overdependence on Switch:** Currently, **85%** of Nintendo's **annual revenue** comes from **Switch**, amounting to **\$9.9 billion**. If Switch drops from the top suddenly, the company will struggle financially before getting another top game to rely on. (Strickland, 2019)

2.1.3 Opportunity:

1. **Show interest in mobile games:** In this era of mobile games, if you know how to produce good mobile games, you might have a monopoly over the market. It will ensure a fair opportunity for the brand's growth. (Wondershare EdrawMax, 2022)

2. **Diversification:** Since Nintendo is known for its video games and consoles, that doesn't mean that is all Nintendo's willingness. It can start manufacturing and selling gaming accessories. This would increase the revenue for Nintendo and multiply its revenue stream. (Frue, 2022)

3. **Adopting VR & AR:** Nintendo should adopt new technologies and make the most of them. Nintendo can re-launch some of its all-time classic games with a touch of VR. This would give gamers a more realistic experience of Nintendo's games. (Frue, 2022)

2.1.4 Threat:

1. **No property rights established:** There's a great increase for the piracy rate of Nintendo's game. Users can download games for free after encountering piracy. Hence, players will lose interest in spending massive sums of money to buy the same games, thus posing a threat to the company's survival. (Wondershare EdrawMax, 2022)

2. **Peers Competitions:** From PlayStation to Xbox, Google, Amazon (more for game platforms) and EA, SONY, KONAMI (more for games), the competition is getting tougher by the day. (Hernandez, 2018)

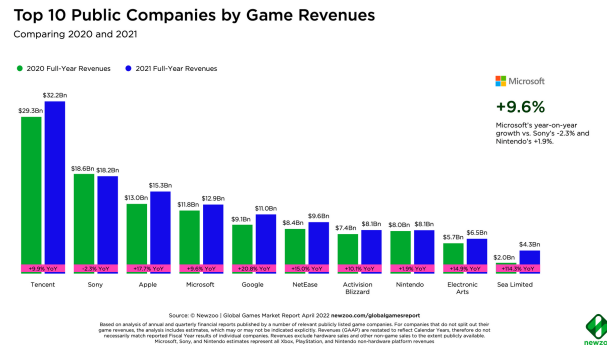


Fig.1 Top 10 Public Companies by Game Revenues

3. **Growing Health-Consciousness:** The ICD defines gaming disorder as an "impaired control," meaning that increasing priority is given to gaming. (Tawagi, 2018)

4. **Stronger Substitutes:** Gamers are switching from handheld and console gaming to **online and mobile gaming**. (SgamePro, 2018)

5. **Demographic Shift:** Over the years, a noticeable demographic change has been observed in Japan. The number of old-aged people in the Japanese economy has increased over time. More than **28.7%** of Japan's total population is **65 years old or older**. This automatically means that the demand for Nintendo in Japan has decreased. (Frue, 2022)

2.2 PESTEL analysis

POLITIC	<p>Fiscal policies, foreign trade regulations, social protection policies etc. have an impact on the video game market :</p> <ul style="list-style-type: none"> - controlled content (violence, sex...) - respect for copyright (ex : In 2018, Nintendo was sued by Hillcrest Laboratories, based in Maryland for patent infringement) - geopolitical tensions (ex : Japan and China)
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ECONOMIC	<ul style="list-style-type: none"> - Global economic crisis for several years, accelerated by Covid. Rising commodity prices and falling purchasing power - Global increase in the price of video game consoles - Take into account the Yen/Dollar exchange rate - Time spent in front of video games each week increased by 30% during Covid, and is expected to remain at a 17% increase after the crisis compared to before the crisis - Increase in market value before/after Covid (from \$148 billion to \$170 billion)
SOCIAL	<ul style="list-style-type: none"> - Nintendo conducts sociological studies to understand the demographics of a population, income distribution, lifestyle changes, social mobility, work, education, consumer behavior. - Some political prohibitions correspond to socio-cultural particularities specific to certain countries. Ex : the game "Pokémon Blue" is banned in Saudi Arabia because it shows casinos and therefore scenes involving gambling.
TECHNOLOGY	<ul style="list-style-type: none"> - In the video game industry, technology gives an immense competitive advantage over competitors. Ex : the Wii, which revolutionized the sector with the movements integrated into the controller. Today, the video game industry is particularly interested in virtual reality
ENVIRONMENT	<ul style="list-style-type: none"> - According to studies, the use of consoles in the USA is responsible for a total consumption of 10 to 11 billion kilowatt hours per year, or as much as the city of Houston. - In 2018, Nintendo's president said "(...) as an entertainment company, giving a smile to everyone who comes into contact with Nintendo is part of our corporate social responsibility (CSR) policy. Making people smile through our products and services is one of the pillars of our social responsibility.”

LEGAL	<p>A company must adapt to the legislation in place in the countries where it operates.</p> <ul style="list-style-type: none"> - Nintendo has had several convictions for patent infringement - Some countries allow companies to obtain benefits by coming to their territory. For example, in France, there is a "video game tax credit" which allows creative companies to deduct from their taxes a part of the production expenses of a game.
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2.3 PORTER analysis

- Threat of New Entrants:

It may be difficult for new businesses to compete with Nintendo because of its well-known brand and lengthy history in the video game market. In addition, the video game industry frequently requires sizable investments in research and development, which could also act as a barrier to entry. However, the rise of mobile gaming and the increasing accessibility of game development tools may lower the barriers of entry for new companies.

Level: 1/5

- Threat of Substitutes:

Other forms of entertainment, such as movies, TV shows, and music, compete with Nintendo. But even so, due to the company's strong brand and the immersive nature of video games, they may be less replaceable than other forms of entertainment.

Level: 2/5

- Bargaining Power over Suppliers:

As a large and well-established company, Nintendo may have some power to bargain with its suppliers. However, the company may be dependent on a few of its suppliers for specific components or technologies, limiting its bargaining power.

Level: 3/5

- Bargaining Power of Buyers:

Buyers in the video game industry may have some bargaining power because they have many options and can frequently wait for sales or discounts before making a purchase.

However, Nintendo's strong brand recognition and loyalty may limit buyers' bargaining power.

Level: 3/5 and rising

- Rivalry Among Existing Competitors:

The video game industry is extremely competitive, with many large corporations competing for market share. Companies such as Sony, Microsoft, and various mobile game developers compete with Nintendo. Factors such as the success of new game releases, the strength of each company's brand, and the capabilities of their gaming hardware can all have an impact on the competitive landscape.

Level: 5/5

2.4 4P's analysis

- Nintendo Product Strategy:

Nintendo is one of the world's leading video game console brands. Since its founding, the company has been known for producing equipment for video games and entertainment. Video game and interactive game development was the company's primary product strategy. Its product lineup is robust.

Toys

For a long time, Nintendo manufactured playing cards. The demand for the cards increased, necessitating the hiring of helpers to enable their mass manufacture. Later, Nintendo made numerous modest business investments, including taxi services, motels, food companies, TV networks, and many others. Eventually, Nintendo had to shut down the operations because it was unable to maintain them.

Video Games & Arcade Games

When it grew into making electronic devices and began manufacturing its own console and video game hardware, it achieved success. This inspired it to create arcade games for its gaming machine, and the 1981 release of Donkey Kong was an instant hit. Nintendo received a lift from the revenues and licensing, and an early version of Mario, the Jumpman, the company's mascot at the time, was published.

Consoles

The Game & Watch series had the first major gaming console success. In the early 1990s, Nintendo opened experience stores in the US and Europe where customers could try out and purchase their products in an effort to broaden the market outside of Japan. Along with Sega, Electronic Arts, 3DO, Philips, and Acclaim, they were one of the leading game vendors in the market and made improvements in graphic card systems, hardware, and game user interfaces. Role-playing games, virtual reality, and augmented reality games were all created by Nintendo. Following the enormous success of the augmented reality game Pokemon Go, Nintendo worked with Niantic, the creator of Pokemon Go, to assist them receive 33% of the earnings.

- Nintendo Place & Distribution Strategy:

Nintendo has a vast distribution network that spans the entire world, allowing customers to easily access their products. Both a physical distribution network and an online distribution network. Physical distribution refers to the availability of gaming consoles and gadgets (like the Nintendo Switch) that are sold at various electrical or chain stores like FNAC and Boulanger. Online game distribution entails making the software available for consumers to download and giving them updates. Sale sites include the Nintendo eshop, amazon, and others.

- Nintendo Price/Pricing Strategy:

As this is a technological market, the products no longer take time to go outdated replaced with a new technology, game, user experience. Because customers want experiences, their loyalty cannot be taken into consideration. Nintendo has a pricing approach that maintains various prices for a given product across the course of the product life cycle. Due of the new technology and user experience, the launch phase is more expensive. This makes it easier for them to seek high profits if the product succeeds. After the product has been well received in the market, the prices are lowered to make them comparable with those of the rivals. Sony Xbox and PS4 station are two of Nintendo's main rivals. As the product cycle enters the decreasing stage, special prices, discounts, and added perks are provided to push the product as it approaches the point of no return. The typical cost of a Nintendo product is between \$1600 and \$2000. Later, the item either ends up in a sentimental box or becomes one of the business's success tales. The annual global revenue of Nintendo exceeds \$15 billion.

- Nintendo Promotion & Advertising Strategy:

Promotions are an important factor since they help customers learn about the product and the new features it offers. Nintendo employs a variety of product launch strategies, such

as designating specific days and activities for the debut. They offer free gifts, such as console cases and T-shirts, and they welcome people to come and try out their new product for themselves. The debut campaign needs to be massive and aggressive. For instance, 85% of UK residents saw the 3D film "Believe your eyes" as part of the 3DS product launch. Nintendo is renowned for the way they advertise and introduce new products. Thus, this completes Nintendo's marketing mix.

3 Internal Environment

3.1 SWOT on loyalty strategy analysis

3.1.1 Strength:

- 1. Strong focus on innovation driven by research and development activities:** Nintendo releases over 40 games each year which cover a wide range of types of games. Some of them are sequels of previous games while the others are brand-new characters or IPs.
- 2. Strong performances given by products (especially Switch and 3DS):** Until 22 December 2022, there are about **4464** games supported on Nintendo Switch and **1402** games supported on Nintendo 3DS. (Wikipedia, 2023) (Wikipedia, List of Nintendo 3DS games, 2022)

3.1.2 Weakness:

- 1. No mobile phone extension, only with console:** The console platforms for Nintendo are incredible but they do not extend their service on mobile platforms. However, as research shows that. In 2022 mobile gaming will **surpass 60%** market share in annual global consumer spend - **3.2x** the size of the next largest form factor: Home Console Gaming. (Kristianto, 2022)
- 2. Supply chains problems (especially during pandemic)**
- 3. Less popularity among serious gamers:** A large segment of the gamer's community considers Nintendo's products "not serious" for them to play.

Cartoonish and non-sophisticated graphics make the games look "toy-like". This phenomenon is an obstacle for the company to expand their customer base to new segments. (Bazikyan, 2021)

3.1.3 Opportunity:

- 1. Making games supported by mobile.**

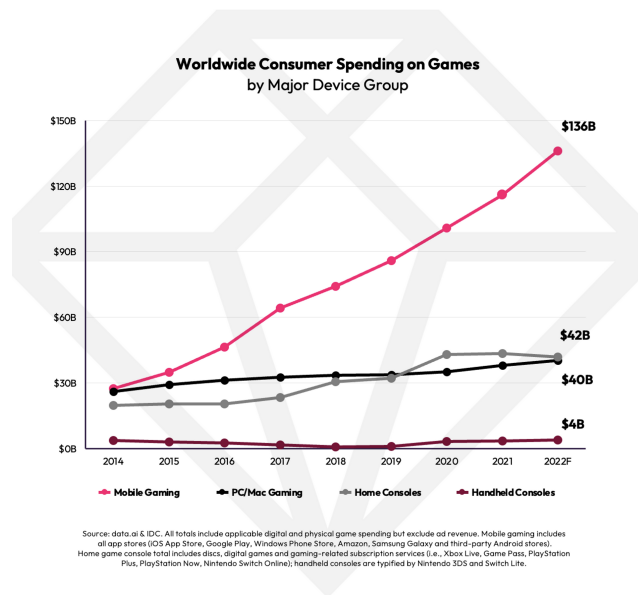


Fig.2 Worldwide Consumer Spending on Games (by means of playing)

2. Support of cloud games, no need to download: Cloud gaming, sometimes called gaming on demand or gaming-as-a-service or game streaming, is a type of online gaming that runs video games on remote servers and streams them directly to a user's device, or more colloquially, playing a game remotely from a cloud. In this kind of game mode, players can pay for the copyrights of games but without downloading it to the local storage.

3. Emerging technologies: The unreal pace of technology development is one of the driving forces of the gaming industry. Gaming and technology worlds have a mutual dependency and push each other forward. VR/AR technology, holography and improving graphics are some of the growing opportunities. Thus, if Nintendo keeps up with the trend, they will feed on the increasing potential of technologies. (Bazikyan, 2021)

4. Collaborations with famous movies (double directions) and tourist attractions: Nintendo make movies based on their origin characters and stories, which will be released in 2023. This is a wonderful trial and more games should be considered to make into movies or TV series to attract more audience. (Charlanmhg, 2022)

On the other hand, Nintendo can make more games based on some famous movies, for example superhero series (some have been taken the copyrights by other companies), or anim  . At the same time, they could also make games based on some specific places in the world, get the copyright of them and add some elements into the games. This is also a great way of collaboration.

5. **Broaden services to more developing countries:** Nintendo had a chance to enter and capture new developing markets such as India, Africa, and South-East Asia timely. Doing so would have increased the revenue of Nintendo as well as its customer base.

3.1.4 Threat:

1. **Multiple and strong competitors:** There are more and more game companies that could do 3A games. So, to avoid losing customers, Nintendo needed to create new stories and characters to make sure that players could stick to them (have enough customer loyalty).



Fig.3 Gaming Brands With the Most Customer Loyalty

2. Exist too much piracies

3. Devote too much on teenagers

3.2 Digital loyalty tools

A Man To Trust And Follow

Shigeru Miyamoto

Although he's getting up there in years, and he serves in a more observatory role than in his younger days, the main reason for Nintendo's brilliant properties even existing is still

working with the company. Miyamoto's creativity spurred the success of the Mario, Donkey Kong, Zelda, Pikmin, and Nintendogs franchises, cementing himself as the forefather of modern gaming. Consumers can trust that the quality that Nintendo puts out will always be up to snuff as long as he is still employed in any sort of capacity.

Miyamoto's presence may not matter in the eyes of a casual gamer, as so many of Nintendo's consumer base is on the younger side, but the kids quickly catch on to learning about the brains behind their favorite hobby! It also doesn't hurt that he is an incredibly charismatic showman on stage at developers' conferences and trade shows.

Game Exclusivity, Exclusive Content

Nintendo is one of the biggest companies that rely on brand loyalty. They've rarely had the most powerful games consoles on the market (Sony and Microsoft constantly duelling for that honour), but Nintendo fans know that Mario and Zelda titles are only available on Nintendo consoles, so they remain loyal. I will personally ride for Nintendo to the end of my days thanks to their great games I have enjoyed throughout my life (even if they also made the Wii U).

Loyalty Programs

- My Nintendo Reward Program (Since March 2016)

My Nintendo is a loyalty program provided by Nintendo and the successor to Club Nintendo. The system rewards allows players to earn points from using software or purchasing games, which can then be spent on rewards such as digital games or discounts. The program launched worldwide in March 2016, releasing alongside Nintendo's first mobile app, Miitomo.

- Club Nintendo (Ended in 2015)

Club Nintendo was a customer loyalty program provided by Nintendo. The loyalty program was free to join and provided rewards in exchange for consumer feedback and loyalty to purchasing official Nintendo products. Members of Club Nintendo earned credits or "coins" by submitting codes found on Nintendo products and systems, which could be traded in for special edition items only available on Club Nintendo. Rewards included objects such as playing cards, tote bags, controllers, downloadable content, and warranty extensions on select Nintendo products.

Family Values

Nintendo don't market their products toward just "gamers" as Sony and Microsoft have done throughout their histories. This is perhaps the number one reason why Nintendo has

been able to obtain such loyalty from its customers: kids eventually turn into adults. Those adults then pass down their favorite Nintendo franchises to their own children, and the cycle continues on and on through generations. There is a magic to the characters and the worlds that have been created that are timeless.

3.3 What about the customer experience ? How is customer dissatisfaction managed ?

Nintendo Wii: Immersive gaming made real

Launched in 2006, the Wii aimed to expand the gaming market to a larger and more mainstream audience while catering to its historic customer base. Centering the gaming experience on a motion-sensitive remote, the Wii brought a unique touch to entertainment, which pleased both new and existing customers.

A player could physically swing the baseball bat, throw the bowling ball and shoot at enemies. I recall playing a survival-horror game when younger, lights off (fully immersed) and reaching an apex of tension... and being terrified. So terrified, I cowardly stopped playing and did not resume for months – something I never experienced before with the competition.

Here's where Nintendo got design right: they put the gaming experience ahead of product specifications and performance. A cross-platform game was less pretty on the Wii, but the experience was superior. The trade-off was a no-brainer for customers: they would rather be immersed in the experience, shooting enemies, slashing monsters or driving their kart, than sitting in front of a slightly better-looking game.

The strategy clearly paid off, as the Wii sold more than 100 million consoles worldwide, 20 million more than its two competitors – all thanks to a differentiated experience.

The Nintendo Switch: The ultimate CX console?

Nintendo took one of the business' greatest challenge – providing a truly omni-channel experience – and made it core to the design of the Switch. A console can be played connected to your living room's TV, on a table on its own or anywhere else, on the go.

Meeting customers on their own terms is also key to the experience design. A remote can be used in multiple ways: by one or two players, joined up, separated or attached to the screen, or even as a more traditional and mainstream remote. Motion sensors embedded on the screen enrich the gaming experience further through puzzles and in-game features.

Most important of all is the Switch's unique ability to fit around the customer's life, without compromising on the gameplay or the experience, regardless of playing mode – more than 'omni-channel', it manages to go beyond the concept of channels, very much like customers do when they think of a business.

This customer-centric design is critical as it enables the Switch to deliver more value and go beyond experience.

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