



Nintendo Co Ltd Executive Presentation

Date: May 21st, 2020

Presenter: Elissa H. Lee

What methods are there to increase Nintendo's global video game sales by +10% in the next year through market prioritization, regional localization, and new product development?

Agenda

01. Introduction

Executive Summary

Summary of Recommendations

02. About Nintendo

Market Share

Product Line

03. Regional Market

Market Prioritization

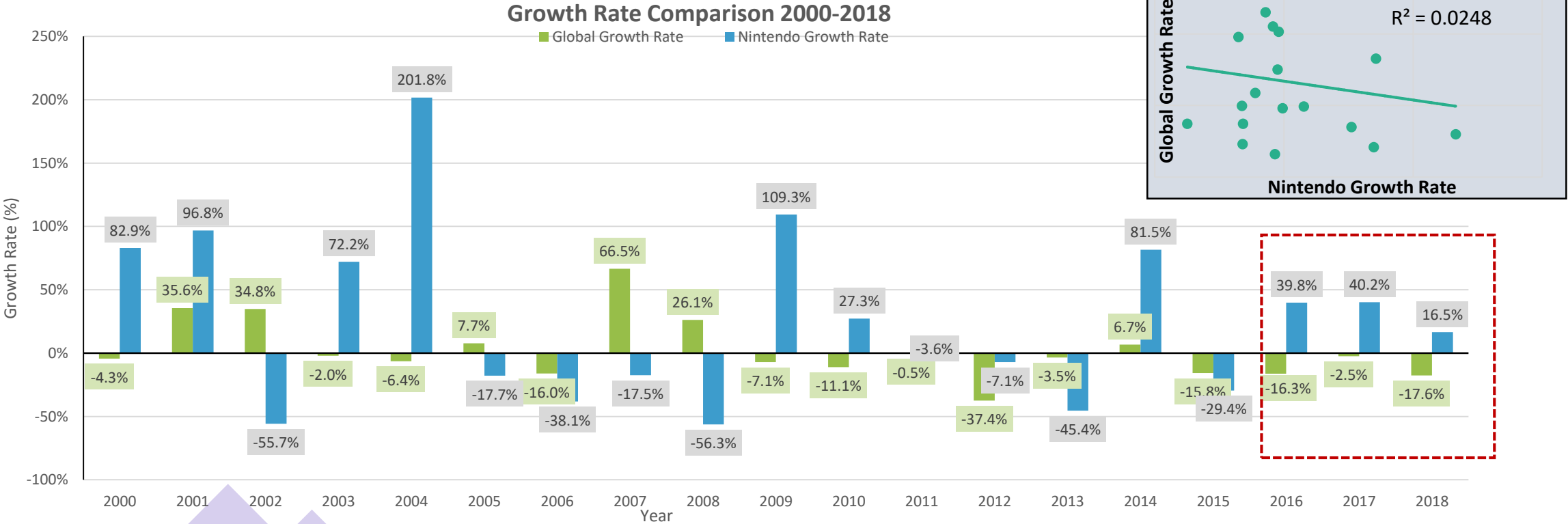
Regional Strategy

Product Opportunities



Executive Summary

The video game industry is a declining market. Despite the decelerated market growth, Nintendo has experienced positive sales growth in the past 3 years. Through the combination of **descriptive and inferential analysis**, we came up with a strategy to increase Nintendo’s global video game sales by +10% in the next year through **market prioritization, regional localization, and new product development?**



There was a strong negative correlation between global sales growth and Nintendo’s sales growth at $R=-0.138$.

Summary of Recommendations

Market Prioritization

- Nintendo should prioritize investment and resources based on the market size and position.
 - Priority should be in the order of NA, PAL, JP and Other regions.

Regional Localization

- Nintendo's customers and competitors are different with region. Therefore, their marketing strategy should be regionally specific.
- Heavy investment is necessary to clarify position in NA and PAL as they are the two largest market, yet, low in market presence and growth.
- Investment is required to maintain market leadership for JP there are high opportunities despite being a small market.
- Other is a low priority market that Nintendo should decide to invest or divest.

New Product Development

- There is massive opportunity in Action, Shooter, and Sports genres. New product to capture the market demand in these genres is necessary to compete with the competitors.
- Marketing on Nintendo Switch to lead the company's growth in upcoming years.

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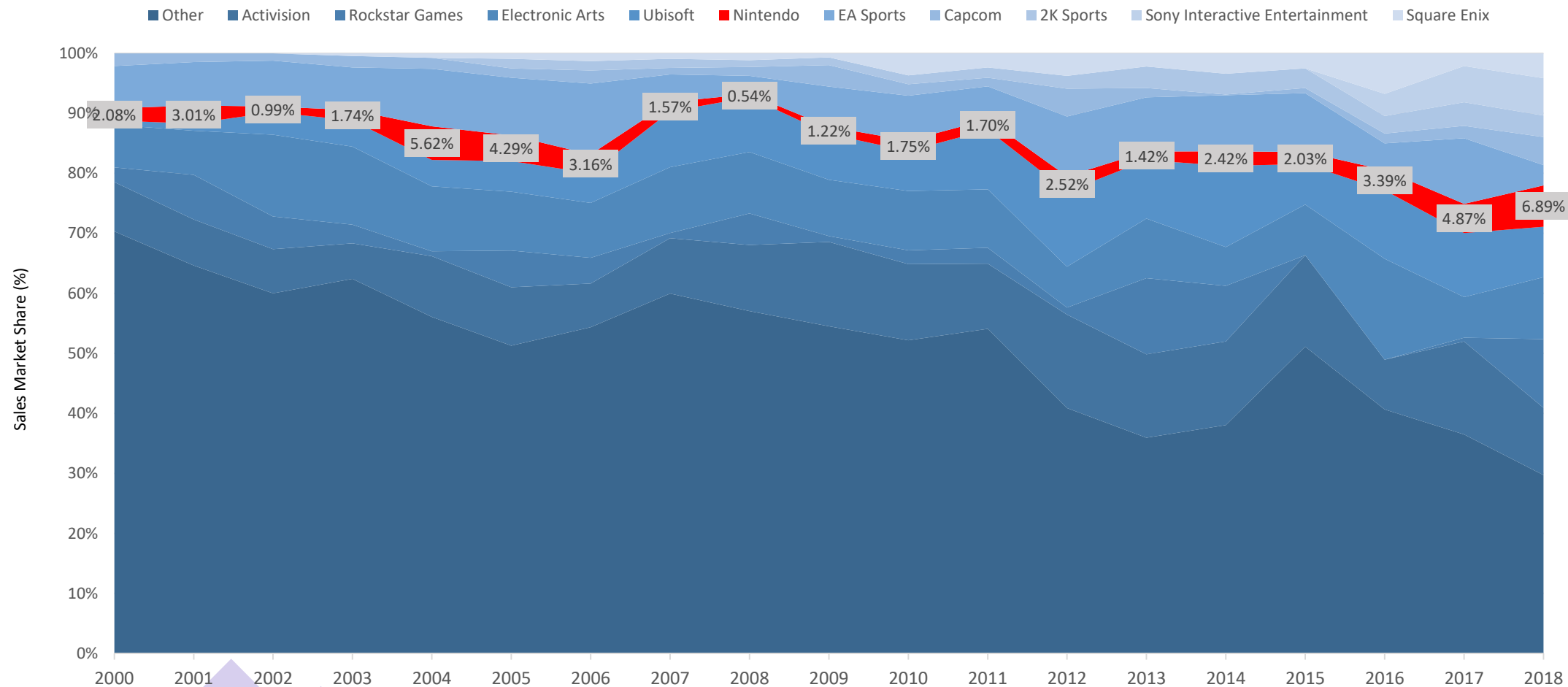
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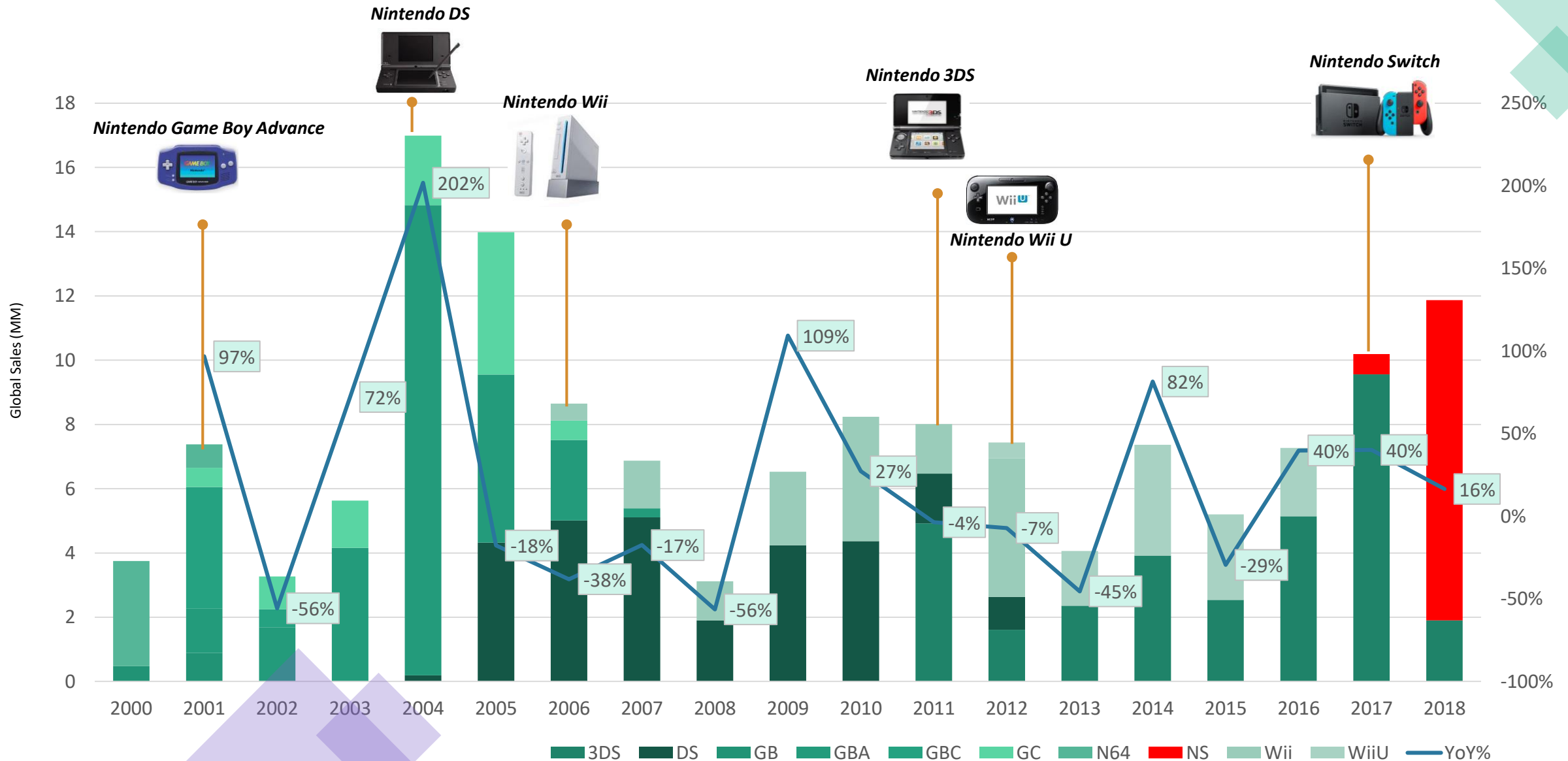


Video game has become a competitive industry with multiple new and existing players. Despite the competitiveness of the industry, Nintendo continues to expand its market share Year-over-year and became the 5th largest video game publisher globally in 2018.



Note 1 Video Game Sales Data 2000-2018 from Kaggle

Nintendo's product line is focused on home video game consoles. Nintendo started strong in the early 2000's with the Game Boy Advance and has since released innovative products providing a new gaming experience. (ex. motion sensors, internet connectivity, multi-player etc.) The Nintendo Switch was released in 2017, and has been leading the company's growth in the recent years.



What methods are there to increase Nintendo's global video game sales by +10% in the next 1 years through market prioritization, regional localization, and new product development?

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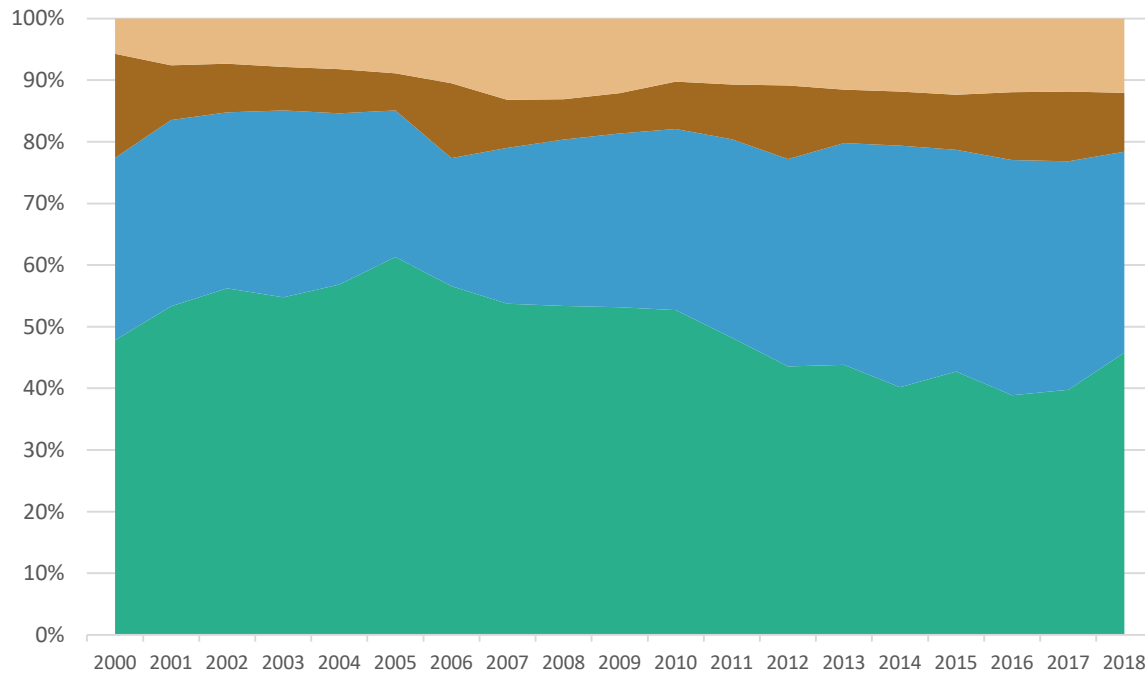
Product Opportunities



NA and PAL should be the highest priority market for Nintendo with the largest market size. Although JP and Other generated roughly an equivalent amount in sales, the height of the boxplot suggest that JP shows higher median distribution of sales than Other. Therefore, JP should be Nintendo's next priority market before Other regions.

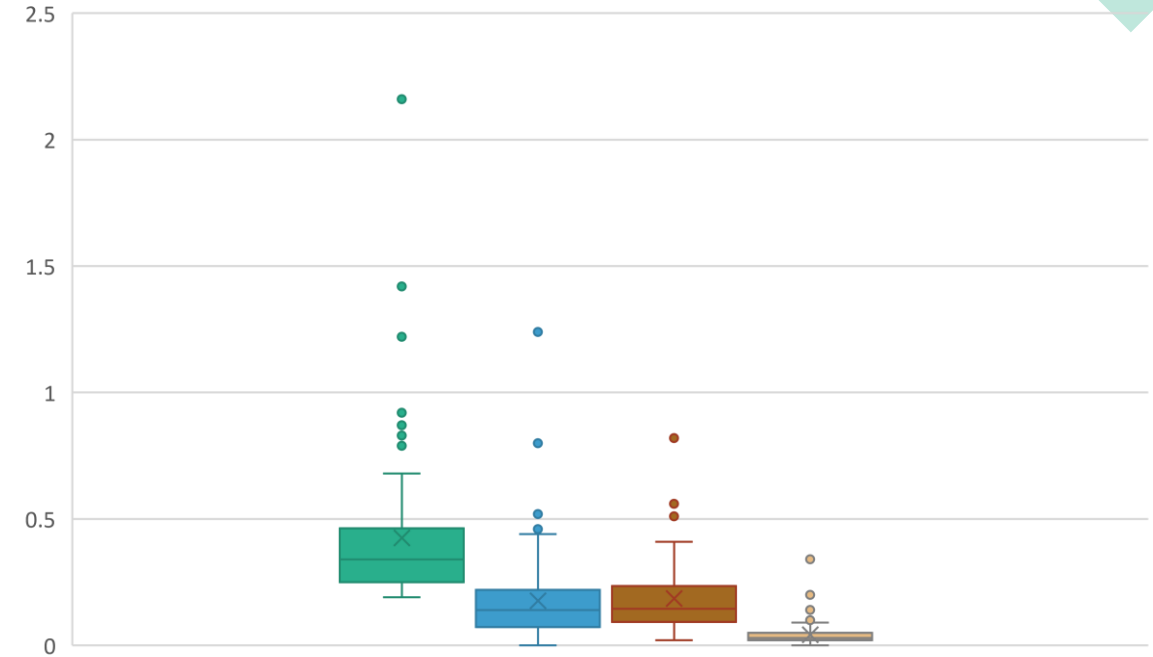
Nintendo's Regional Sales by Year

■ NA Sales ■ PAL Sales ■ JP Sales ■ Other Sales



Boxplot of Nintendo's Regional Sales

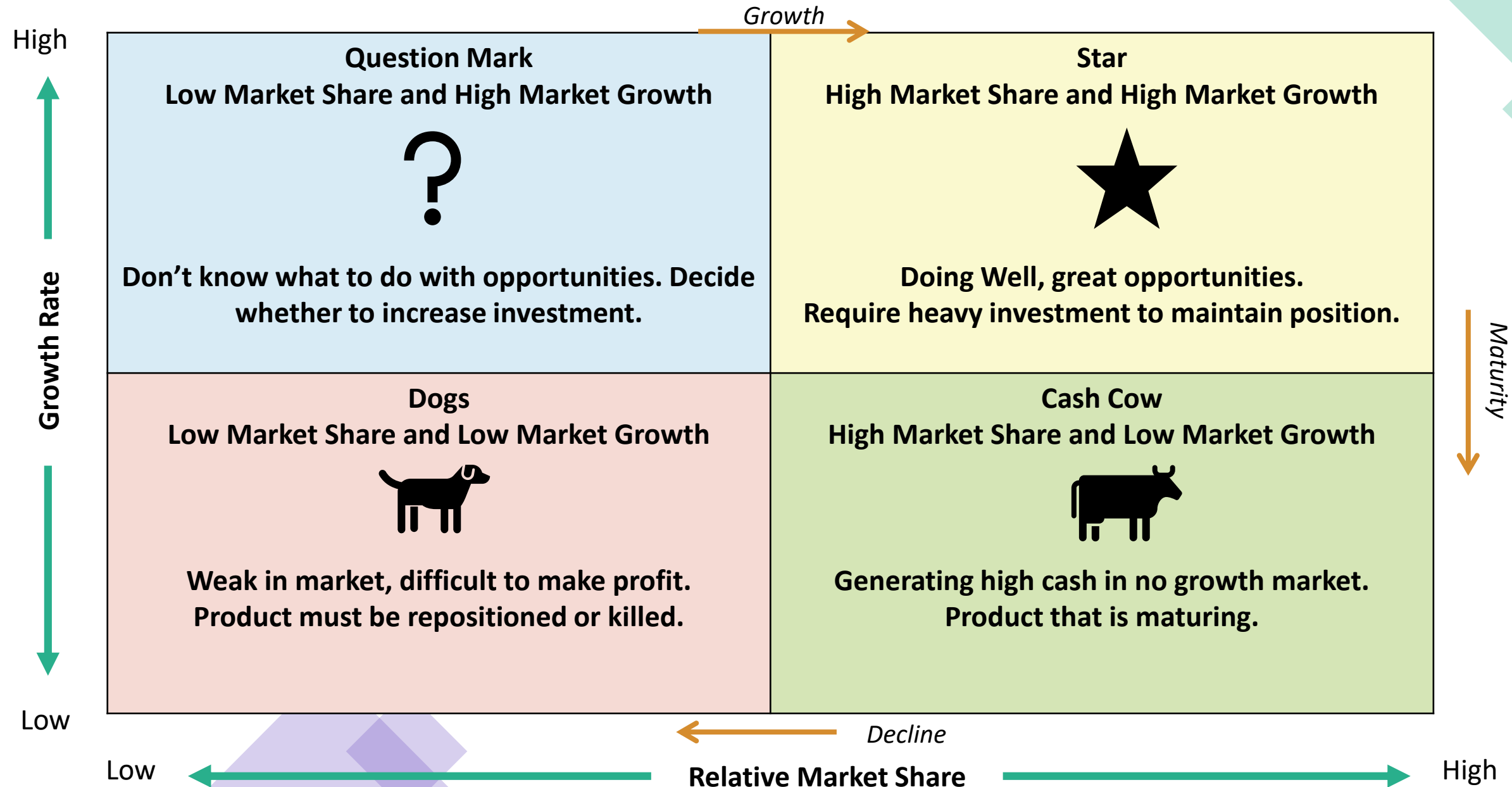
■ NA Sales ■ PAL Sales ■ JP Sales ■ Other Sales



- NA and PAL is Nintendo's largest market which generated ~80% of Nintendo's sales for the past 18 years.
- JP and Other are Nintendo's smaller markets generating roughly ~20% of the companies sales.

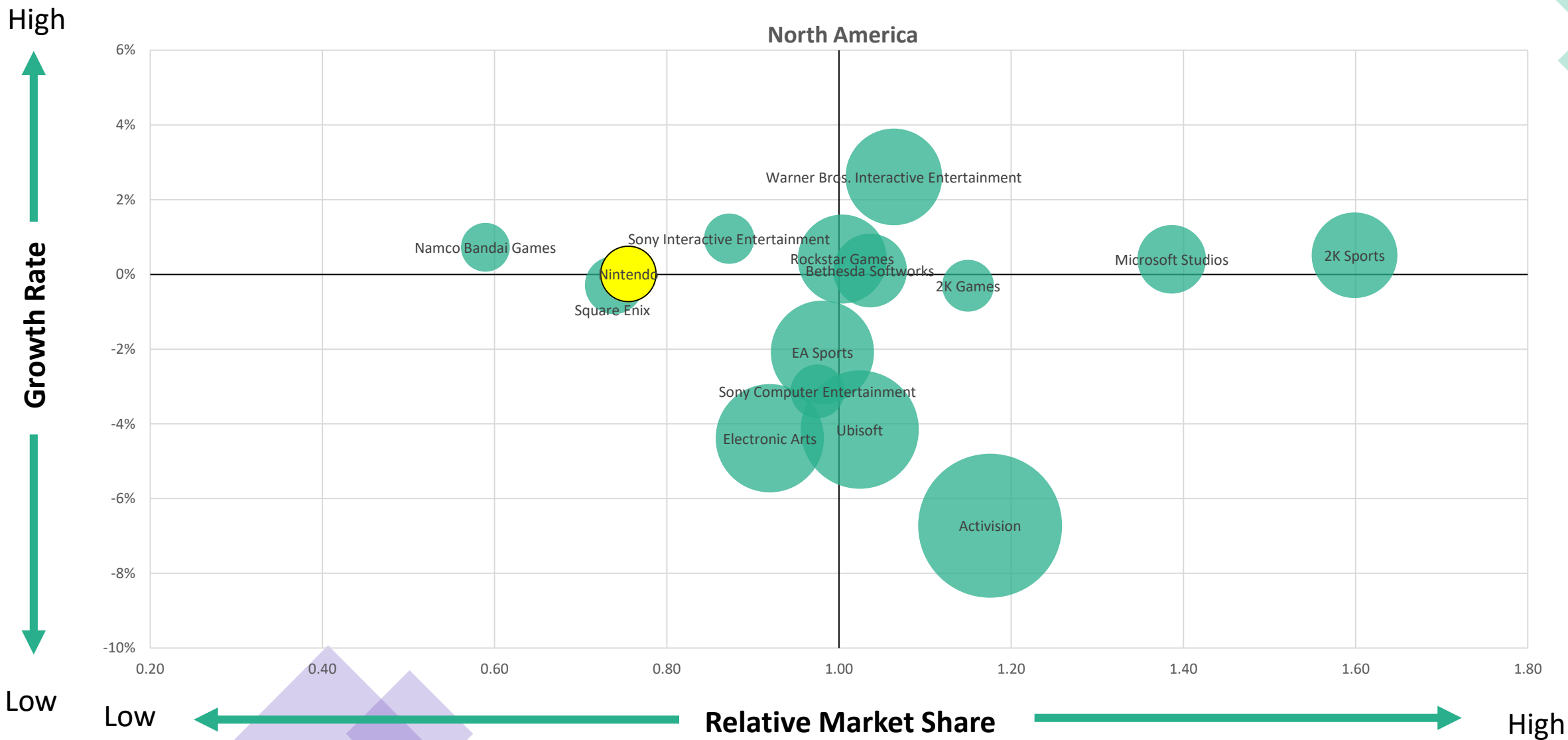
- The boxplot was comparatively lower and shorter in Other sales, suggesting a lower median sales distribution in the dataset.
- NA, PAL, and JP visibly stands out in the boxplot to have higher distribution of sales than Other suggesting higher market prioritization.

Growth-Share Matrix



Note¹ Relative Market Share Calculated by Nintendo's revenue market share ÷ global revenue market share
Note² BCG growth-share Matrix Boston Consulting Group 1970

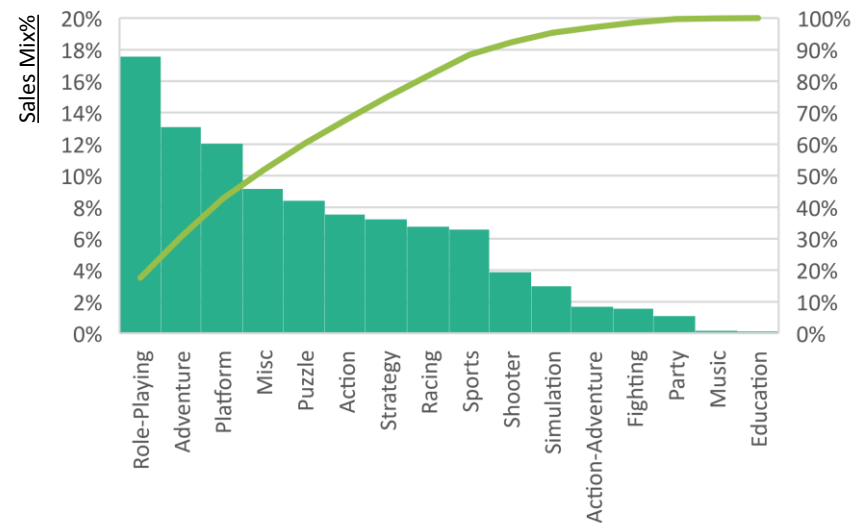
Nintendo is in the Low Market Share - High Growth quadrant in North America. If market growth slows down further, Nintendo is in danger of falling down to Low Market Share and Low Market Growth. Nintendo must stimulate higher growth with investment, either by competing in existing categories, or entering new categories for new customer acquisition to potentially becoming the next “STAR”.



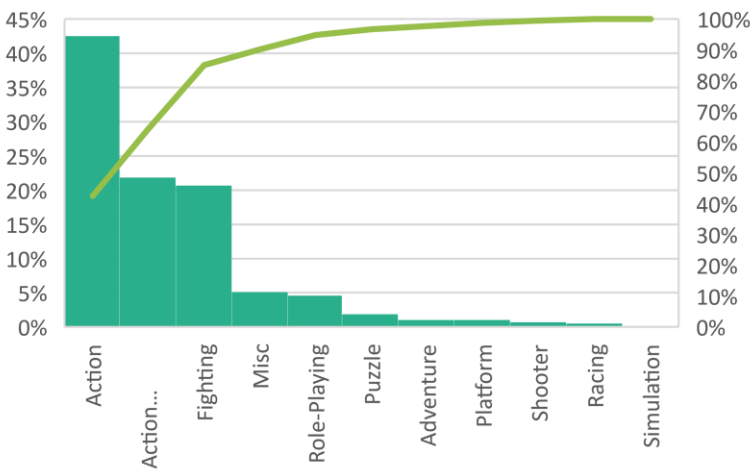
Note¹ Relative Market Share Calculated by Nintendo's regional market share ÷ global revenue market share
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Note³ Video Game Sales Data 2000-2018 from Kaggle

There is a large demand for Sports, Action, Shooter in NA and competitors have solidified their position in these genres. However, Nintendo has been competing in the niche genre, Role-Playing, Adventure, and Platform. Nintendo must continue to compete with the long-tail genres as well as branch out into larger genres for new market opportunities.

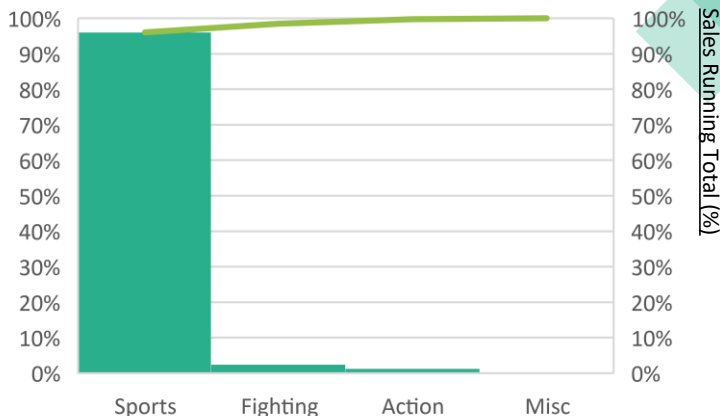
Nintendo Sales



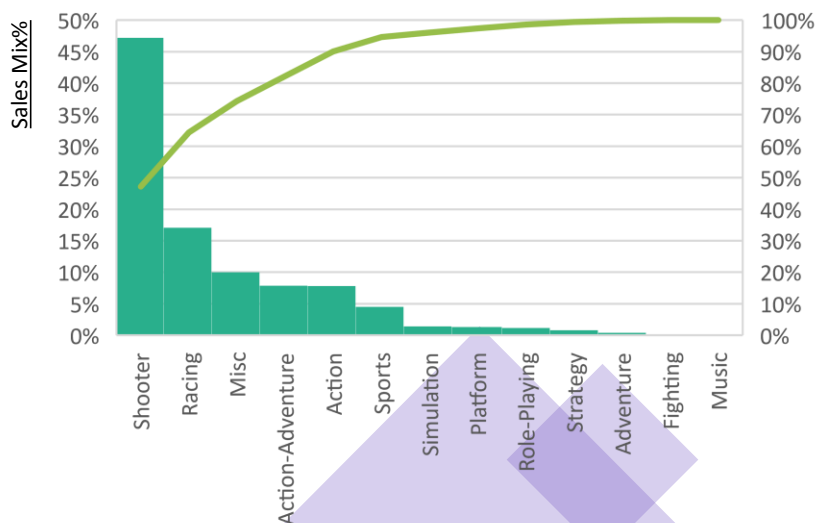
Warner Bros. Interactive Entertainment Sales



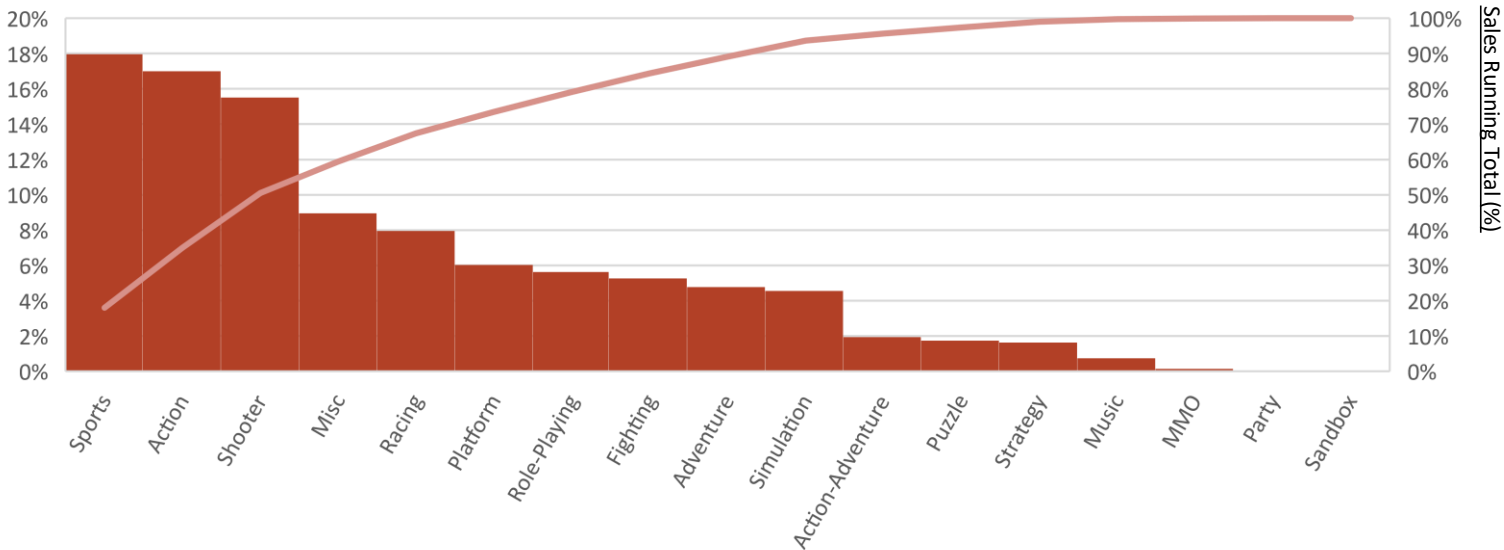
2K Sports Sales



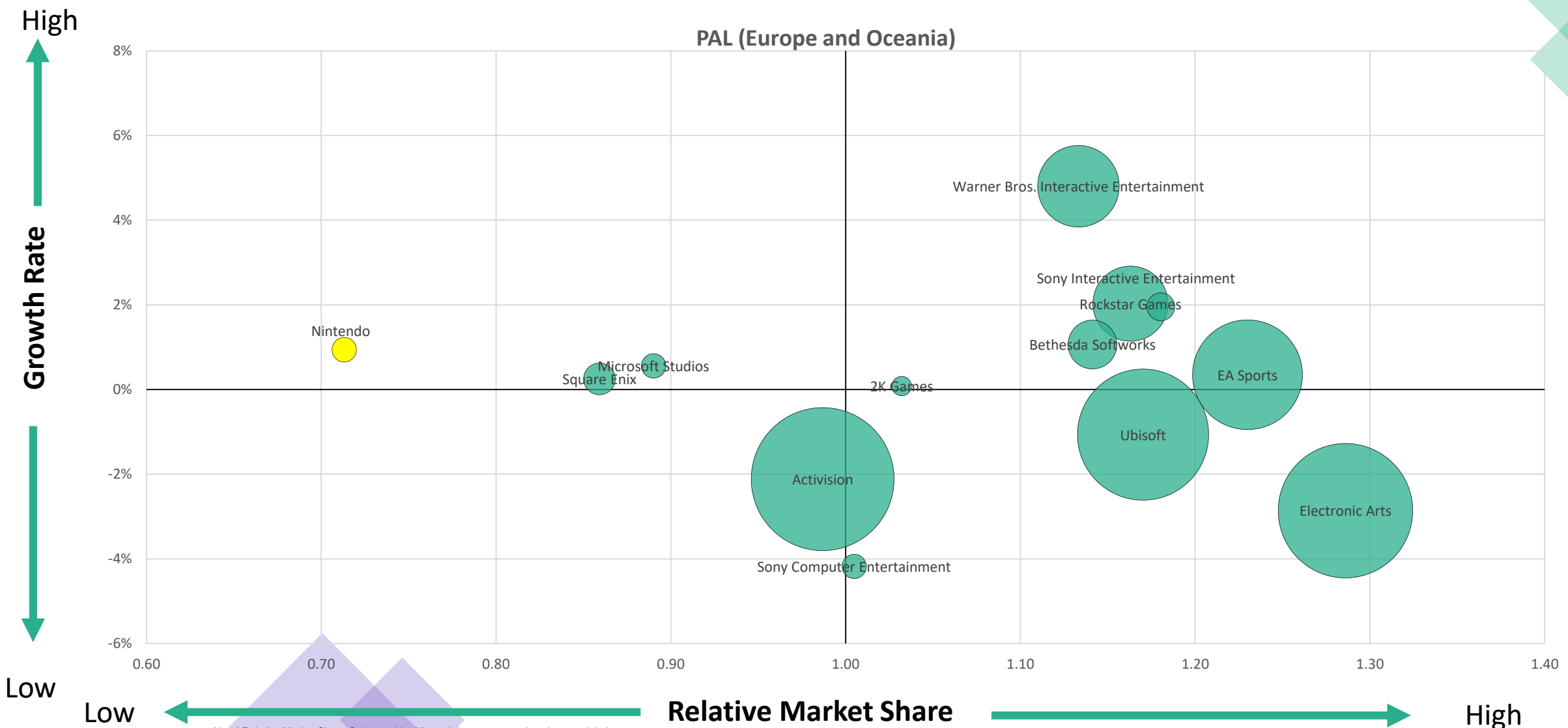
Microsoft Studios Sales



NA Sales by Genre

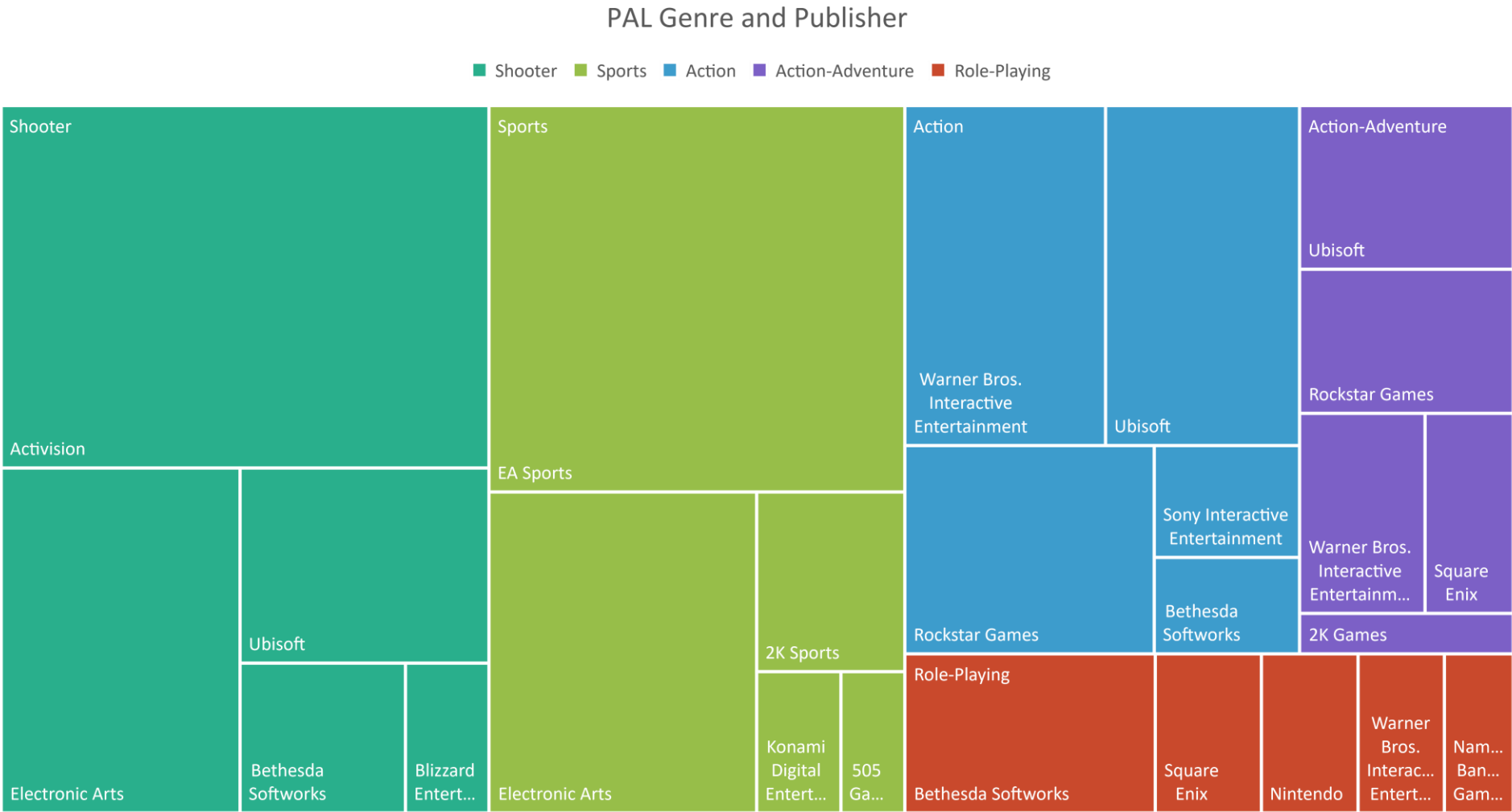


Nintendo is in the Low Market Share – High Growth quadrant in the PAL Regions. Nintendo is having trouble finding market presence in the PAL regions with big competitors dominating the marketplace. In fact, the top 10 publishers already make up ~70% of video game sales in the PAL regions. Nintendo is currently only 11th in market share. Extensive investment and resources are required to clarify Nintendo's position in PAL regions



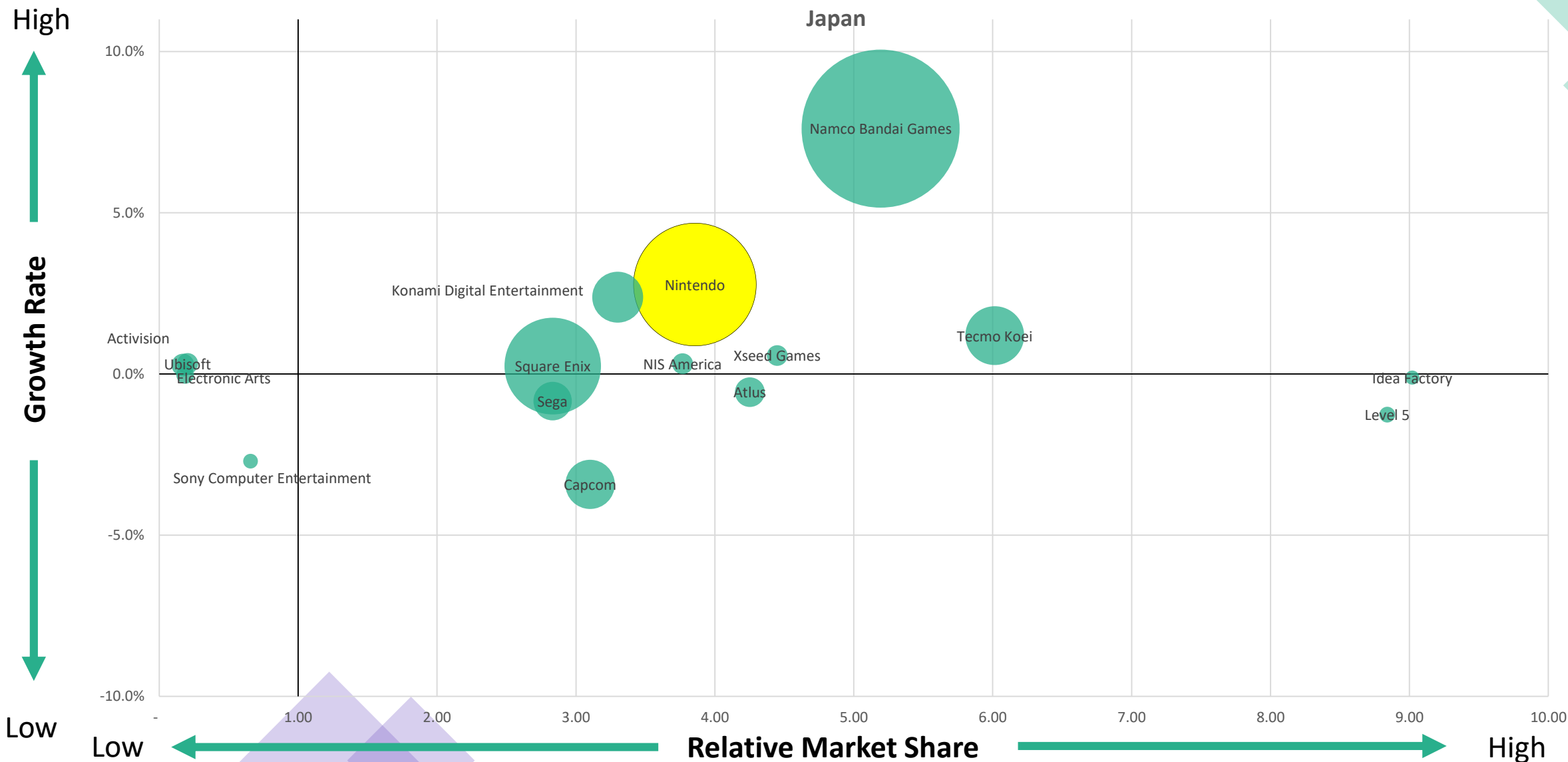
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The PAL regions show similar preferences in video game genre to North America. Sports, Shooter, and Action were the top selling genre in the PAL regions, and, major competitors dominated the sales. Nintendo lacks market presence in genres with the highest sales volume. In fact, Nintendo only occupied 1% of sales within the Role-Playing genre. Nintendo should branch out to new genres as well as increase marketing initiatives in the Role-Playing segment to increase competitiveness and market presence in the PAL regions.



Note ¹ Video Game Sales Data 2000-2018 from Kaggle

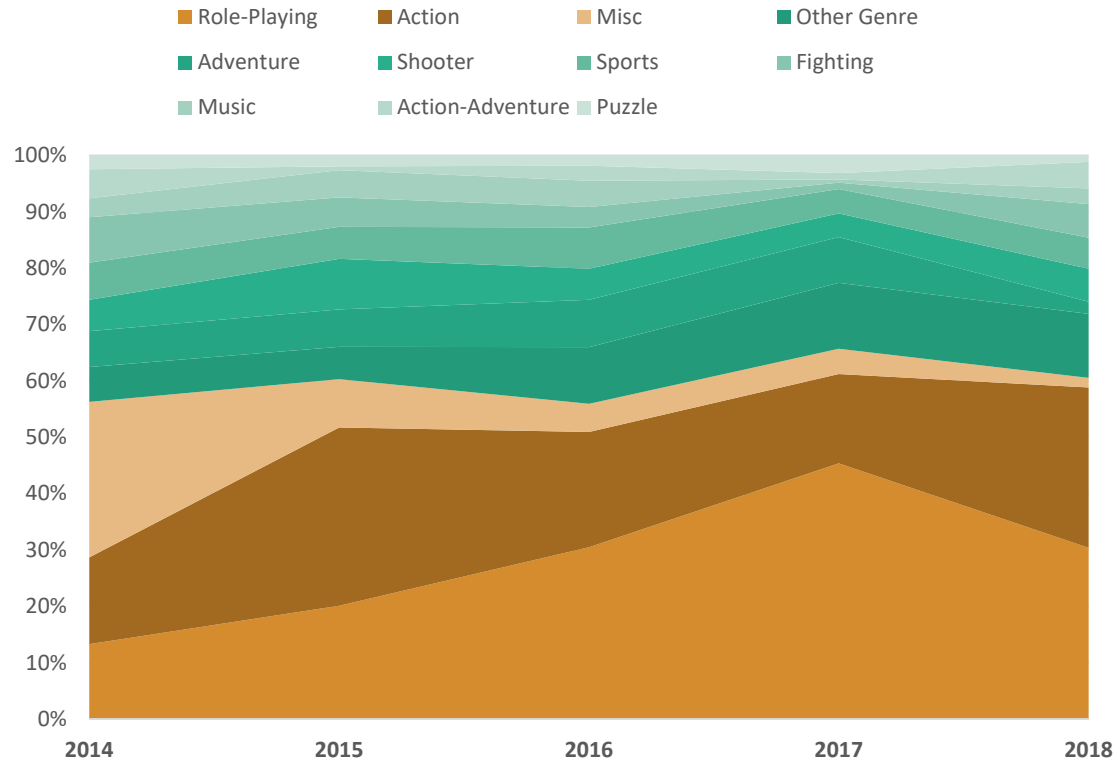
Nintendo is in the High Market Share – High Growth quadrant in Japan. Japan is a unique market different from NA or PAL. Nintendo's market position is already strong being the 2nd largest publisher in the country behind Namco Bandai Games. Nintendo requires ongoing investment to sustain market leadership.



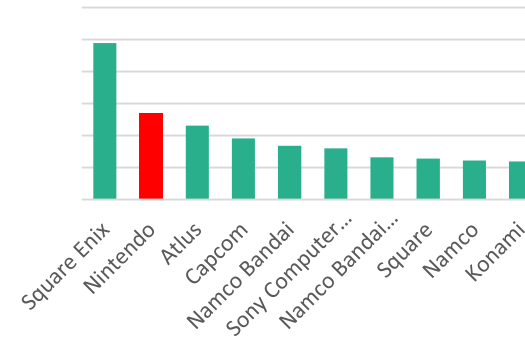
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Japan is a unique market with differing genre preferences from NA and PAL. Role-Playing, Action, and Misc. were the three highest genres in sales, as opposed to Sports, Action, Shooter in NA and PAL. To maintain ongoing market leadership in Japan, Nintendo must continue to invest in Role Playing and Misc. as well as create new content for Action to retain its customer base and maintain competitiveness.

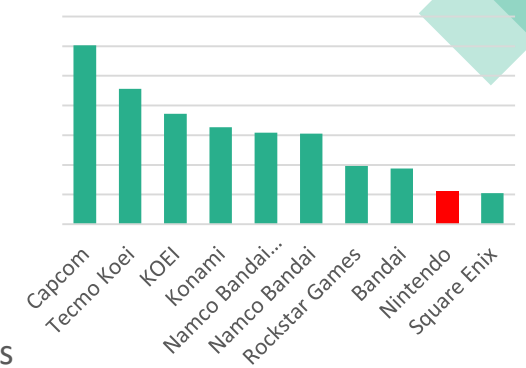
5 Year Sales Trend by Genre



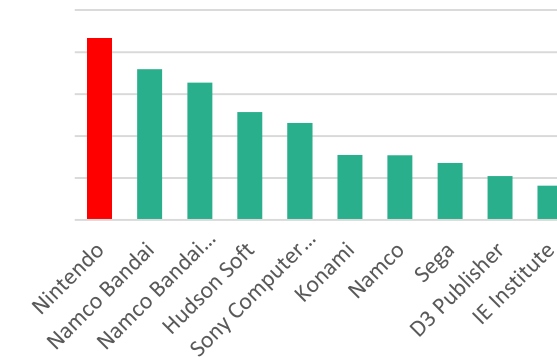
Role Playing Sales



Action Sales



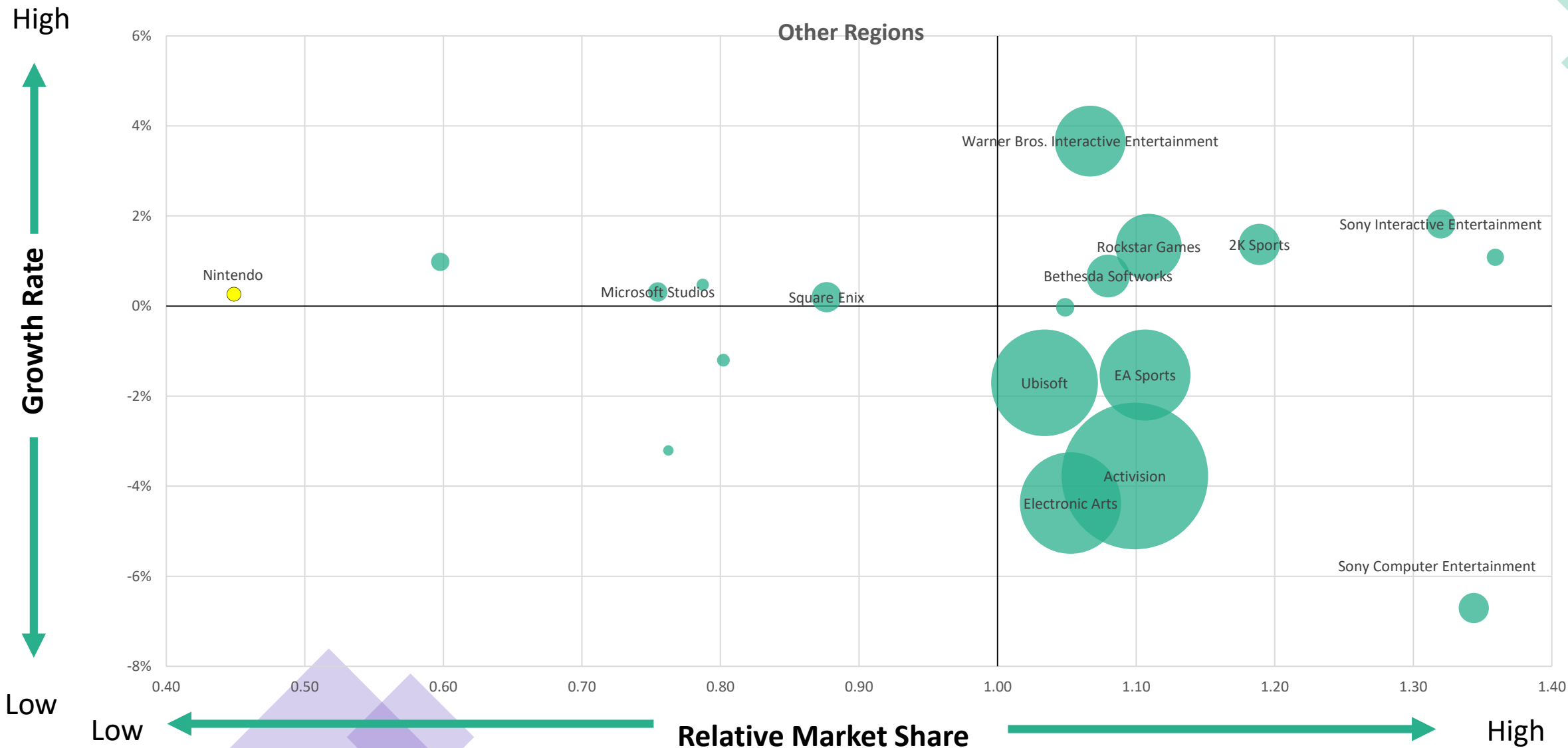
Misc. Sales



- Role-Playing, Action, and Misc. were the three highest genres in sales generating 50% of sales in JP.
- Misc. sales have significantly decreased by 2018 and is in need for new content.

- Nintendo's Role Playing and Misc. contents are well adapted in JP as Nintendo ranks 2nd and 1st in highest sales consecutively.
- Nintendo remains weak in the Action genre as multiple competitors lead in sales.

Nintendo is in the Low Market Share – High Growth quadrant in the “Other” Regions. Other Regions include countries with slow sales relative to global sales. Nintendo may continue to compete in this region, however, is less competitive considering its current market size growth-share position. Nintendo should decide to still invest or divest in this region.



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Thank You

