

perceived innovation value for the Kinect was very high, the associated games were not built very well on its technology potentials.

TURNAROUND FOR THE 3DS

In March 2011, the new handheld console Nintendo 3DS was launched. Its upper screen could show three-dimensional effects without having to wear glasses. However, the worldwide sales after four months from the release were only about one-fourth the projected annual sales of 16 million units.³⁴ Nintendo thus decided to announce a price cut from \$250 to \$170, the first time in the company's history that it lowered prices to such an extent within less than half a year from the product launch. The problem was mainly the lack of games. Gamers had to wait for several months to get Mario and other Nintendo games. However, from September 2011, the situation improved, thanks to the release of Super Mario 3D Land and the Mario Kart during the Christmas season and the availability of a vast choice of retro and indie games for less than \$15. In the United States, consumers could also access the system via Netflix, a video streaming service, thereby making the 3DS more than just a video game console.

After one year, Nintendo had sold more than 17 million 3DS units worldwide, while Sony with its PS Vita had sold only 1.8 million units during its first year due to the lack of exclusive games.³⁵ Behind the commercial success of the 3DS, however, was a price cut of 30 per cent.³⁶ At the end of the fiscal year ending March 2012, Nintendo reported an annual net earnings loss of \$532 million for the first time since 2003.³⁷ In July 2012, the company launched a new version, the 3DS XL, with a bigger screen. This was a great success as sales exceeded 45 million units worldwide.³⁸ However, this figure was still under Nintendo's estimations and its past sales records of the DS. The company still could not come back to a profitable situation due to the mediocre launch of its new home console, the Wii U, in the same year.

STRUGGLING WITH THE WII U

At the 2011 Electronic Entertainment Expo (E3), the world's biggest computer and video games event, Nintendo unveiled the Wii U and its unique controller. During the E3, the company mostly emphasized the Gamepad and integrated tactile screen. The focus was also on the extended name of the new console from simply the Wii and the new controller. Journalists thought that the Wii U was just the Wii with a pad for games and that its controller was just a peripheral to the Wii. Others even considered the Wii U Gamepad as only a peripheral device connectable to the Wii. Casual gamers wondered if they would have to pay \$300 for only a peripheral. Iwata admitted that Nintendo was not successful in demonstrating the value of the platform to its consumers.³⁹ He also acknowledged that the intervals of time between the release of Nintendo's key titles had been longer than expected and that the company was unable to maintain momentum for the console.

Such misunderstanding led to very disappointing sales. One year after the launch, at the end of the 2013 fiscal year, annual sales of the Wii U were only about 3.45 million units.⁴⁰ Obviously, the Wii U could not repeat the past success of the Wii, which sold on average more than 14 million units annually. The Wii U sales were also far below 4.2 million units, the one-month sales after the launch of the Sony PS4. Iwata admitted during the stockholder meeting in January 2014 that the Wii U was not in a good shape.⁴¹

During the same period, Sony and Microsoft launched their PlayStation 4 (PS4) and Xbox One respectively in November 2013. As of December 2014, the PS4 and the Xbox One, with a total worldwide installed base of 17.3 and 10.1 million units, overtook the 8.2 million units of the Wii U.⁴² Iwata hoped that Mario Kart would boost console sales.⁴³ However, it would be very difficult for Nintendo to counter