

# Nintendo's Strategic Recommendations Based on Selected Analyses

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## ABSTRACT

Based on the current situation in the market environment, it is necessary for companies to assess their current position. At the same time, they need to adapt their strategy to this, whether marketing, production or overall corporate. Nintendo, which has been active in the gaming console and gaming industry since 1889, must also assess strategies in the light of the current situation. Among the basic factors that need to be assessed are also competitive ones. It is necessary for the company to be able to properly analyze and evaluate them, as they can intensively affect its overall performance in the market environment. Therefore, we decided in the article to analyze the competitive environment using Porter's five-force model. In addition to competitive factors, it is necessary to take into account factors influencing the strategic management of the company. We analyze those in the article using the Business Model Canvas tool. In it, we identify the key factors of strategic management of the company with regard to the current situation. We consider individual factors such as key partners, key activities and the like to be important in fulfilling the basic goals of the defined corporate strategy. It must also include the right marketing strategy. Based on the performed analyzes, in the discussion part we identified specific goals and strategic recommendations in connection with the creation and application of the company's marketing strategy with regard to the current situation in the market environment.

**Keywords:** *Nintendo company, marketing strategy, factors and analysis, BMC model*

## 1. INTRODUCTION

At present, companies have to adapt intensively to the market environment and take into account all factors that may affect their position and strategic management. It is also important to take into account the strategy, which is applied not only in the external but also in the internal environment. It can help not only to build a competitive position, but also to strengthen the brand. Gajanova also agrees with this opinion. [1] Key factors must also be taken into account by Nintendo, which currently employs 6,200 people worldwide. As it is a global operation of the company, it is necessary to analyze key factors in a wider range. One of them is also the customers, whose needs the company satisfies at a high level. Based on listening to customers, the company is constantly improving its products and services. Therefore, the basic mission of the company is no longer the production and sale of special playing cards. As the technological environment evolved, Nintendo's mission changed. Its mission is no longer just to produce and sell video games and game consoles, but also to provide added value to its customers. It consists of providing home entertainment and interactions between parents and children. In this way, the company can also strengthen its brand. Building customer loyalty is also a key factor in strengthening competitiveness. [2] By mission, the company wants to contribute to the cohesion

of the family as a whole and give them a sense of fun and joy of life. The strategy cannot be directed only to the external environment, but must also be part of the company's employment structure. Nintendo strives to pursue a strategy of creating a friendly atmosphere in which talented employees work together as a team and strive to develop products that accept all the technological requirements of today's global market. It is the commitment and good teamwork that is a key factor for the company in developing quality products and providing various support services. This can be linked to an external strategy applied to customers [3].

## 2. ANALYSIS OF KEY FACTORS BASED ON PORTER'S AND BMC MODEL

In this chapter we identify and analyze the key factors affecting Nintendo. We elaborated these in the analysis of Porter's model, in which we identified the key factors of the company's competitive environment. Subsequently, we performed a Business Model Canvas (BMC) analysis, where we identified key elements of strategic business management. The results are described in the following subchapters.

## 2.1. Porter's Model

We used Porter's model to analyze the company's competitive position. In it, we identified five forces that determine the behavior of competitors. We analyzed the risk of entry of new competitors, the situation with existing competitors, the bargaining power of suppliers and customers and the threat of entry of substitute products.

Given that there are already global companies that have built a brand and their customer base, the threat of entry of new competitors can be perceived rather low. In the case of a new competitor entering the market, it is also necessary to analyze various factors. One of them may be the high potential of the gaming industry or global technological development. In addition to these factors, the new competitor must also perceive barriers that may jeopardize its entry into the gaming industry. One of them is "revenge of existing competitors", which expresses the hyperactivity of existing competitors. This means that competitors will develop new generations of game consoles with higher quality technologies that accept current trends. The second barrier may be access to distribution channels. This means that the new competitor must secure access to third parties (retailers). This is a key factor in profitability, as the largest percentage of game sales come from retail chains.

The biggest threat to Nintendo is the entry of substitute products. The most threatening factor is the upcoming games via social networks, mobile devices, tablet PCs. The threat of substitutes can be reduced by the so-called negative costs. These arise for consumers as a result of a change of supplier, product or brand itself. In this case, Nintendo has the advantage of applying the lowest pricing policy.

Another high threat is the rivalry between current competitors. In a global environment, it is possible to perceive there are strong brands with a strong customer base. These are the Playstation, X-box brands. Each of the competing brands is trying to gain a competitive advantage. If a competing brand develops a new product or introduces a new technology such as the Nintendo Wii, other brands must respond very quickly and be more advanced in this direction in order to survive in a market environment.

As Nintendo obtains resources to manufacture its products from a variety of sources, it can be argued that the bargaining power of suppliers is low. Suppliers of the individual components include Samsung electronics, IBM, which supplies the CPU, NEC Electronics supplies Image processing LSI, and the Wireless Lan module is supplied by Mitsumi Electric. Individual component suppliers are numerous and easy to replace at lower cost. There are a large number of other companies operating in this area. Based on the above, we identified low strength of suppliers.

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Similar to suppliers, we can identify low bargaining power for end customers. Nintendo has a wide variety of stores that use to distribute their products. Individual products are sold through third parties such as Amazon.com, Bestbuy, GameStop, Tarket Walmart and the like. Each customer has relatively little influence on Nintendo's distribution decisions. Third parties like Amazon and Walmart have more bargaining power.

An analysis of the individual factors of Porter's model shows that the biggest threat to Nintendo is the threat of substitutes in the form of MMO games and online gaming. Due to the current trend, many people use the Internet, almost every household owns a computer, and people often resort to online gaming for fun, which is not as expensive for them as buying a game console or game.

## 2.2. Business Model Canvas

In terms of the analysis of Nintendo's strategic business model, we decided to describe the individual areas of the BMC model. Through it, in the discussion part of the article, we described the current marketing strategy of the Nintendo brand.

The first factor of business activity in the BMC model are key partners. Nintendo has key partners categorized in three core areas. These are mainly development, product and sales partners. The role of development partners is to constantly improve software, web design and products in the form of games and game consoles. One of the development partners involved in product development is EA games. Companies such as MegaChip corporation and INiS games are involved in software development. Zeman and Bogdan claim that technological development is also an important element in creating a marketing strategy. [4] In relation to development partners, it is also important to mention supplier partners. They supply all the necessary components for the production of individual products. Major suppliers include companies such as SHARP, Fujitsu, Samsung, IBM and the like. Individual companies supply electronic components such as microprocessors, chips, displays, graphics processors, plastic components and the like. The supply network plays an essential role in the production of products. The company strives to be environmentally responsible and therefore strives to develop its products with the lowest possible impact on the environment. It can also help to make consumers behave responsibly. The authors Musova, Musa and Ludhova claim that by respecting the environment, customers are more loyal to the brand. [5]

Sales partners also play a key role. Since Nintendo does not have its own stores, it decided to train specialized retailers to sell products. This ensures that the sales

partners understand the consoles, the games and can advise the customer correctly. The ability to convince the customer to buy products is also an important factor. Sales partners include online stores, which are directly referred to by the company on its website. The biggest partners include Walmart and Gamestop.

In addition to key partners, key activities are also analyzed. The company's priority is to sell game consoles, games and accessories. The key activity, in addition to selling products, is a store located in New York that provides not only consoles and accessories, but also space for socializing customers. The store is divided into departments according to what customers like. In them, fans can meet and, in addition to buying products, they can socialize or meet their cartoon character or hero. The most visited are the Pokémon, Mário or Sonic departments. In addition to New York, similar Nintendo WorldStore stores can be visited in Tokyo and China. [6]

The third factor is the key resources, which are mainly finance, suppliers and employees. The company claims that without key resources it would not be able to function properly. Important importance for employees is mainly in the field of product development, product service and business management. General manager. In addition to employees, suppliers are also important. We wrote about their importance for the company with key partners. The area of financial management also becomes important in key resources. The main financial source for the company is the profit from the sale of game consoles, games and accessories. Compared to 2017, the company's profit increased from 4.36 mil. USD to 10.914 mil. USD. This increase was also caused by the innovative development of individual products. In this case, the company increased its net profit by an average of 250.22% compared to 2017. Compared to 2018, the profit increased by 1.32 mil. USD. The above facts testify to the technological and innovative progress of the company, respecting the needs and wishes of customers. [7]

An important factor of the BMC model is also the value provided to the customer. As mentioned in the introduction and in the analytical part of the article, the company strives not only to sell products, but to provide customers with a sense of fun and family reunion, a sense of uniqueness and meeting their children's heroes. The company achieves fun and a sense of family cohesion when playing with a unique control system, offering multiplayer for up to four family members. With its games, Nintendo also brings culture in the form of characters that have built a strong name around the world (such as Sonic, Mario, Pokemon and the like). All of the above factors help promote sales. Customer care is also an important factor in value. It is provided mainly in the online space in the form of various clubs, discussions, chats such as Mii Verse or Wii U. Their primary goal is to connect other users of game consoles, where they can share their best scores in individual games. Other elements in the area of customer care is the Nintendo club, or service support. When choosing the right marketing campaign, neuromarketing, the importance of which Nadanyiva has captured, can also decide. [8]

Based on the value provided to customers and their care, we identified the primary and secondary segments of Nintendo in another factor of the BMC model. We singled out families with children as the primary segment, where we identified the age of 30 - 55 years for parents with a middle salary class and 6 - 14 years for children. An important element of this segment is the completeness of the family. We decided to put this segment first because the basic task of the products is to provide entertainment and relaxation. Among other things, the company also tries to socialize and reunite the family. In the current coronavirus situation, family cohesion and reunification are essential. Nintendo also provides entertainment in the form of gaming products. While playing, the family can spend more time together, have fun and at least for a while "ignore current worries". We defined friends in the secondary segment from the age of 20 - 27 years due to more intensive socialization during leisure time.

When analyzing the factors of the BMC model, we also described the cost structure. The biggest cost to a business is advertising. They have been growing since 2016. In 2017, the company spent 48.72 mil. Japanese yen, which is on average 45.3 mil. In 2018 and 2019, expenditures increased again and in 2019 they reached the value of 75.42 mil. Japanese yen, which represents 70.13 mil. USD. In 2019, the company spent an average of 154% more funding on advertising than in 2017. [9] High costs also include staff salaries. The average annual salary after rounding is \$ 74,212. [10]The company also has high R&D costs, which amounted to USD 568,588 in 2013 and were considered the company's second most expensive activity at that time.

In addition to the cost structure, we also analyzed the distribution channels. The company mainly uses a two-level distribution route. For Europe, GroBstein is the main distribution center in Germany. Other major distribution channels include RedWood City, Washington, which is the hub for product distribution to the United States and Canada. For the Japanese market, there is a distribution center in Kyoto.

Finally, we described the main sources of income. As we mentioned in the analysis of key resources, that the company's profit has been growing in the last three years, the income from the sale of consoles and games can be considered key. In addition to the above, licenses for other companies that develop and sell games compatible with Nintendo game consoles are a significant revenue.

### **3. BACKGROUND**

Based on the analysis of individual factors of competitive position and factors from the Business Model Canvas, we decided to proceed to the definition of the final strategy with regard to current trends. Customers are an important element in achieving business goals and fulfilling the company's mission. Therefore, it is crucial to identify a strategy that will focus on this area. This implies the essential fact and the fact that the company has an effective strategic position in the market. It must be

fulfilled on three basic levels in the form of built strong customer loyalty, a strong brand in the market and a strong competitive position.

The main strategic recommendations with regard to the analyzes performed in the previous chapter are two strategies: consolidating and strengthening the defense strategy in the market and the development strategy. Based on current trends, the company is constantly trying to develop low-cost game consoles and accessories. Since the launch of the Wii product after three years, the company has managed to reduce production costs. It is with the production of such low - cost products that new markets open up for the company, where products can be sold at low prices. These are mostly markets such as Latin America and Eastern Europe, where these products are not available to the same extent as in other areas. Related to this is a strategy in the form of consolidating and strengthening the defense strategy in the market. It is also an important element of the overall success of the company. The company should fulfill the defined strategy by expanding its operations with new products to new markets. In this case, there may be some diversification, but the key factor for the company is to stay in the existing gaming industry at present. By fulfilling the goals of the defined strategy, the company will maintain its game culture, strengthen the brand, contribute to higher loyalty of existing customers, thereby clearly strengthen its strengths on a global scale. Flisakowski and Kuchraska also share this view, arguing that maintaining a strong brand position is an essential factor in a competitive position. [11]The strong position of the brand also contributes to building goodwill. Podhorska et. al argue that goodwill can contribute to the effective management and growth of the company's market value. [12]

These strategies must also include a focus on competition and gain a competitive advantage. By developing new products, the company can provide a certain degree of competitive advantage. However, the question remains to what extent the company can respect current trends in technological sophistication. Figures showing the increase in profits and investment in research and development have confirmed the company is trying to meet current trends. [13]According to Moura and Mónico, the trend for maintaining competitiveness is quality and innovative progress. However, this can also be a disadvantage as there are still stronger competing brands in the market environment that are able to introduce innovative elements in the short term.

#### 4. CONCLUSION

In the article, we tried to point out that even with the current situation full of new technological trends, Nintendo is trying to respond effectively. It adapts to trends, where it tries to point out the importance of the relationship with customers, respecting their needs and wishes. Socialization and reunification of the family as a whole is a practical example of the cohesion of society as a whole. We have tried to point out that in recent years the

company has built a strong name and its competitive position in today's global market is favorable. The above facts proved that we analyzed in the BMC model.

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