Analyzing Nintendo's Marketing Strategy and Competing Situation

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Abstract: With the development of computer technology and the Internet, the game industry has become a huge, diversified and evolving global industry. Nintendo was a famous Japanese gaming and entertainment company founded in 1889. Nintendo has been a major player in the gaming industry for several decades, creating many iconic games and consoles. However, Nintendo faces challenges from competition, technological change, game content, global markets, and web services. Nintendo's total management decline in recent years, in Nintendo's main business, host accounted for a large part of revenue, host games accounted for more than a quarter of the game market is still in decline. In this case, the gaming market is rapidly expanding, mobile games and host for the same consumption scenarios, and mobile games have more obvious advantages. Research and data also show that the penetration of the mobile game is significantly better than the host. Therefore, in view of this problem, this paper uses the 4P model and the five-force model to study and analyze Nintendo's marketing strategy and its product problems. The final conclusion is to vigorously promote the core concept of Nintendo: home entertainment, broaden and continuously develop IP and optimize the product.

Keywords: Nintendo, Marketing strategy, computer technology, competing situation.

1. Introduction

The console game industry has changed dramatically in recent years in terms of technology, gaming experience, and business models. The new generation of consoles provides players with more choices and richer gaming experiences. Nintendo, which has built a loyal following with its console products since its inception, has become a leader in interactive games as it competes with its peers with innovative technology and a line of popular animated characters. During the global epidemic in recent years, due to the restrictions on people's travel, game console products once again entered people's vision, and its business has achieved unprecedented development during this period [1]. As a Japanese game development company, Nintendo relies on its excellent development team, adhering to the development concept of "mature thinking with backward technology", which has created amazing achievements and laid the embryonic foundation of the modern game industry [2]. With the continuous progress and innovation of technology, Nintendo's single marketing strategy and products have been struggling in the industry competition. The main research direction of this paper is the impact of Nintendo's marketing strategy and its own product problems on its market share. This paper

first analyzes with 4P marketing theory and, secondly, analyzes the Porter five-force model. The purpose of using the above two analytical methods is to solve the trend of declining operations and declining market share. In my opinion, Nintendo could vigorously promote Nintendo's core concept: family entertainment, broaden and continuously develop IP and optimize the product.

2.   Analysis with 4P Marketing Theory

Enterprise strategy is based on the improvement of the company's market value in the future. In order to win the lasting competitive advantage of the enterprise, the key activities are arranged and deployed during the strategic period, which can be divided into three levels: corporate strategy, management strategy and functional strategy. To some extent, the strategy formulated by the enterprise will be directly linked to the future development goals of the enterprise, the completion of the team structure and the product optimization structure, etc. Each enterprise should be based on its own characteristics, advantages and disadvantages [3]. In this section, we conduct a detailed analysis of the marketing strategy of Nintendo using 4P marketing strategy.

2.1. Product

In terms of controller durability issues, Nintendo's controllers may have durability problems in some cases. For example, the joystick on the Joy-Con controller may drift, causing the game character or perspective to move uncontrolled.

In terms of limited hardware performance, Nintendo's consoles (such as the Switch) have slightly less hardware performance compared to its competitors. This may result in some games being limited in terms of graphics quality and frame rate and unable to reach the level of other consoles.

In addition, as shown in Table 1, Nintendo's Wii U which was released in July 2022, was also one of the reasons for Nintendo's sales decline. The Wii U is arguably the most failed console, with low console sales, few games and poor sales. As shown here, Nintendo's main rivals, Microsoft and SONY are much better than Nintendo in terms of console sales, console game software sales and types of games.

Table 1: Comparison of product data across platforms

Ranking	platform	number of consoles	number of console game software	software / hardware	game types
1	PlayStation2[PS2]	157.68	1,661.95	10.54	3,549
2	Xbox360[X360]	85.8	1,007.36	11.74	3,678
3	PlayStation3[PS3]	86.89	974.41	11.21	3,316
4	Wii[Wii]	101.18	965.78	9.55	2,809
5	PlayStation[PS]	104.25	962.01	9.23	2,680
6	Nintendo Entertainment System	61.91	501.48	8.1	1,093
7	PlayStation4[PS4]	63.59	419.93	6.6	1,042
8	Super Nintendo Entertainment	49.1	379.06	7.72	1,207
9	Microsoft Windows	0	311.2	0	9,472
10	Xbox	24.65	271.46	11.01	978
11	Nintendo 64	32.93	225.16	6.84	395
12	GameCube	21.74	208.61	9.6	673
13	Xbox One	31.15	202.67	6.51	624

Table 1: (continued).

14	Sega Genesis	29.54	175.8	5.95	802
15	Atari 2600	27.64	128.8	4.66	497
16	Wii U	13.96	91.51	6.56	376

In terms of the lack of third-party support problem, Nintendo's consoles have relatively little third-party game support compared to other consoles. Some big game developers and publishers may prefer to release games on other platforms, leading to some limitations in Nintendo's game library.

The third-party game problem is Nintendo's product disadvantage, while rival SONY is more favorable. As shown in Table 2, SONY will be more relaxed than Nintendo, with an unlimited number of games released, less split than Nintendo, and less expensive to make discs.

Table 2: Comparison of Sony and Nintendo Royalty Systems

Nintendo Royalty Terms	Sony Royalty Terms
Before the game is launched, it needs to undergo Nintendo's quality review, and only after passing the Nintendo's review will it be allowed to produce cassettes	Before the game is launched, it needs to undergo Sony's quality review, but the review is more lenient than Nintendo.
A manufacturer can release up to 5 games within a year, but it will be reduced to 3 games by Super Nintendo	Unlimited number of game development per year.
All games being released, Nintendo shares the game price at 20%	All games being released, Sony shares the game price with15%.
The game cassette needs to be commissioned by Nintendo for production, and the production fee needs to be paid in advance. Each cassette needs to pay approximately 2000 yen	The game cassette needs to be commissioned by Sony for production, and the production fee needs to be paid in advance. However, the first order quantity only needs to reach 5000 units (starting from Nintendo 10000), and a CD needs to be paid approximately900 yen

2.2. Price

In terms of console prices, Nintendo's console prices are relatively high. For example, Switch hosts have a higher starting price, especially compared to rival hosts. This could deter some consumers, especially for those with a limited budget.

In terms of game price, Nintendo's game price may also be considered higher. Some exclusive games are relatively high-priced. In addition, some classic games may be more expensive. For example, Nintendo's self-developed games such as "Legend of Zelda: Breath of the Wilderness", "Mario Odyssey", and "Pok é mon: Sword/Shield" typically have higher prices when released, and due to their popularity, prices may also remain high in the market.

2.3. Place

From the perspective of the retail channel restrictions, in recent years, the world game industry is developing rapidly, which has expanded the market and also brought fierce competition. More capital into the game industry leads to market structure changes. The diversification of the platform and game content appeal have nowadays given consumers more attention. Old marketing can not adapt to the

rapid development of the market environment [4]. Nintendo's products may be limited in retail channels in some regions. This could lead some consumers to not easily purchase the Nintendo products they want. In some areas, Nintendo's products may only be available in limited retail stores or in specific online channels.

From the perspective of the geographic differences, Nintendo's products may vary in different regions. Some regions may get newly released games or consoles after other regions. This could make some consumers unhappy, especially those eager to play new games as early as possible.

In terms of channel diversity, as shown in Table 3, compared with ANTA, Nintendo may lack diversified sales channels in some regions. This may limit consumers' options to buy Nintendo products. For example, the lack of dedicated Nintendo retail stores or partner stores may make it difficult for consumers to find and buy products.

Table 3: Channel strategy problem (sales end): compare ANTA DTC mode (Direct To Consumer)

By business model	2021 Income (RMB 1 million Yuan)	2021 The portion of revenue (%)	2020 Income (RMB 1 million Yuan)	2020 The portion of revenue (%)	Variation (percentage)
DTC	8,554	35.6	1,463	9.3	484.7
E-commerce	8,221	34.2	5,088	32.3	61.6
Traditional wholesale as well as others	7,237	30.2	9,198	58.4	(21.3)
Total	24,012	100.0	15749	100.0	52.5

2.4. Promotion

In terms of marketing strategy, the Super Mario Brothers Movie, an animated film based on the Nintendo Game IP, has enjoyed booming box office success and boosted sales of its game products. Through the film and game linkage feedback game, such cases are not rare [5]. Nintendo's marketing strategy may sometimes be considered as conservative and traditional. They may not have made full use of emerging channels like digital marketing and social media to promote their products. This could lead to their less visibility and appeal the younger generation of consumers than other competitors.

In terms of restricted partnerships, Nintendo has relatively few relationships with third-party partners. Compared to other consoles, their game library lacks games from third-party developers and publishers. This may limit their attractiveness and competitiveness in the gaming market.

In terms of limited promotions, Nintendo may be relatively conservative in its promotions. They may not regularly offer discounts, special offers, or time-limited activities to attract more consumers. This could lead to some consumers being less motivated to buy Nintendo products.

3. Analyze with the Porter Five-Force Model

The purpose of using Porter's Five Forces model analysis is to address the issue of low market share and analyze potential threats.

3.1. Suppliers Bargaining Power

Nintendo needs to work with hardware vendors, game development teams, and retailers. The bargaining power of the suppliers depends on their position in the market and their supply situation.

However, due to Nintendo's influence and brand awareness in the gaming industry, it may be able to grasp the bargaining power of suppliers. However, if suppliers have strong bargaining power, they may put pressure Nintendo for more favorable conditions for cooperation.

3.2. Buyer Bargaining Power

Nintendo's success is closely tied to the customers' consumer needs and feedback. Customers 'bargaining power depends on the competition in the game market, the availability of alternatives, the elasticity of consumer demand for products, customers' preferences for different games and game platforms. Nintendo needs to pay close attention to customer needs and provide attractive products and services to maintain customer loyalty. Buyers are sensitive to the demand and price of their product, and they may put pressure on Nintendo for a lower price or better value.

3.3. Potential new entrants

Nintendo has been in the gaming industry for a long time, accumulating a strong brand reputation and a loyal fan base. In the new media environment, the world's game console and game content market is highly competitive. Sales of traditional home game consoles are getting harder with the rise of smartphones [6]. Although new entrants may face some market access barriers, with certain barriers to entry, including technical requirements, capital demand, and brand building. However, as technology advances and the market changes, new competitors may enter the market and pose a threat to Nintendo. The threat of new entrants depends on their ability to meet market demand, build brands and compete with existing competitors.

3.4. Threat of substitute product

In the game industry, the threat of alternatives mainly comes from other forms of entertainment, such as movies, television and music. However, because games are interactive and participatory, they can still appeal to a broad audience and have a place in the entertainment market. Nintendo, SONY and Microsoft have fought for the two key resources of gamers and third-party game makers. Nintendo, SONY, and Microsoft have very different key capabilities. Their success at different stages is all about choosing the right business model and competitive strategy to maximize their key capabilities to seize the two key resources of players and third-party game manufacturers. In different stages, the share of the three manufacturers is also the inevitable result of mutual avoidance and dislocation competition [7]. On the other hand, Nintendo's game products face the threat of alternatives from other entertainment products and media, and the threat of alternatives will increase if consumers prefer to choose other forms of entertainment rather than buying and playing Nintendo's game products.

3.5. The rivalry among competing sellers

In the gaming industry, Nintendo faces competition from other major game makers, such as Sony and Microsoft. These companies also have their own products in the console market and compete with Nintendo in terms of market share and brand awareness, such as the PlayStation and Xbox lines. In addition, there are competitors from both mobile games and computer games. The threat of a competitor depends on the quality, uniqueness, pricing strategy, and market share of its products.

4. Suggestion

Vigorously promote Nintendo's core concept: family entertainment. Nintendo user characteristics: The user group is mainly distributed in the middle of 20-40 years old. First, these people have high

purchasing power, and second, people in this age group have children. So, the market for 8-15 players needs to be developed. It's a big market. It can develop a market for players aged 8-15 to achieve brand heritage while also in line with Nintendo's core philosophy: Family entertainment, the development of second-generation consumption, nostalgic revival, triggering a boom of old players, and enriching the business chain.

Broaden and continuously develop IP. On August 3, Nintendo released its first financial report since the release of The Legend of Zelda: Tears of the Kingdom: 18 and 51 million copies were sold in a month and a half, accounting for half of the company's software sales in the quarter. Meanwhile, the Nintendo IP animated film Super Mario Brothers was a success [8]. Japanese investors analyzed that Nintendo, which uses hardware development and sales, is more popular with companies like Disney in the capital market. " If Nintendo develops its IP licensing and operation soon, maybe the company can grow by 2-5 times faster than now. Therefore, we can increase the development of brand IP. For example, with Universal Studios as the breakthrough point to create Nintendo World with more single IP theme parks, you can create a unique immersive experience through AR + AI such as Mario Park, Pokemon, Star Carby, Zelda and others. Through vertical exploration between single fields and then to horizontal exploration between multiple fields, it can fully reflect the complementarity, diversity and innovation so as to enrich the brightness and stereo of game IP, meet consumer preference and increase the role of brand level. Open the sustainable development of game culture, infiltrate culture into the game IP, spread culture by brand, build a brand by culture, spread culture further, better brand building, enrich the value connotation, inject cultural heritage, and realize sustainable realization.

Optimize the product. Nintendo's royalty terms can be appropriately changed, the scope of review can be appropriately expanded, the number of game developments can be expanded, and cooperation costs can be appropriately reduced.

5.   Conclusion

In conclusion, With the development of the times and the increasing development of the Internet, the development of the gaming industry is also constantly changing. Nintendo, as a major player in the gaming industry, should also keep up with the times. Faced with challenges from competition, technological changes, game content, and the global market, Nintendo should make corresponding changes, such as the issues of royalty system and hardware model mentioned earlier. Besides, we hereby summarize and propose suggestions to address the impact of Nintendo's marketing strategy and its own product problems on its market share. In general, Nintendo's marketing strategy is relatively simple, still focusing on major console games with relatively few other modules, and its royalty system seriously affects its cooperation with third-party partners. In terms of products, its own hardware facilities are not competitive enough compared with its competitors at the same level, and the price and promotion are not strong enough.

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