The products were clearly the drivers. Nintendo DS, released in December 2004, was a compact portable game console characterized by an innovatively intuitive touch-pen method. It was supported by games such as *Nintendogs*, *Animal Crossing*, and *Brain Age* aimed at a wide target market, including young females and even seniors. Then came Wii, a new form of game that incorporated user movement into gaming. With a wireless controller and the Wii remote that detects movement in three dimensions, the user can dance, golf, box, play a guitar, and so on. Opponents can be sourced in other locations and even other countries. In fact, the DS and Wii with their supporting games created a new market categorized as "casual games," video games that require less skills and experience and are characterized by simple and intuitive rules. The new casual game category went from 1 percent of the market to over 20 percent by 2005.[4]

But what was behind the Nintendo innovation success? Why was it able to win facing Sony and Microsoft? One principle reason was the acceptance of a realistic and astute analysis of the two competitors: Sony (Playstation) and Microsoft (P3 players). Nintendo recognized that Sony and Microsoft had and will have equipment that had better technology—higher performance, higher resolution, and higher quality graphics that appeal to the heavy users—young males. They were focused on that objective and invested in chips, software, manufacturing, and hardware to keep delivering. Given this reality, Nintendo took a different course, a low-tech route, even though that meant that the heavy user segment would be ceded to the two competitors.

Nintendo decided to refocus away from the hard core young males who were into action games and high-quality graphics toward a broader audience less concerned with better and better graphics. The key for this group would be a wide array of easy-to-use games that would move beyond the action genre and include some learning vehicles. One goal is to have the mother as a participant and an advocate rather than a cynic and opponent. Another is to involve the whole family so the games are not simply related to boys' retreats. The strategy went against the convention of focusing on heavy users and trying to better competitor's offerings.

Sony and Microsoft aggressively responded with innovations of their own, and the Nintendo lofty brand position did not hold. By 2011, the Nintendo brand had fallen but still was in the top 15 of 1,000 brands, while DS was in the top 25 and Wii in the top 50. But then Nintendo fought back with more innovations. A successor to the DS line, the Nintendo 3DS produced a three-dimensional effect with glasses and included games that can only be played on the device. A new Wii, the WiiU, included a GamePad controller that can be the centerpiece of the home entertainment system allowing the user to connect and control entertainment options such as games, television shows, and more. Both leveraged the Nintendo franchise games such as Mario and Zelda plus new brands as well. In addition, Nintendo8 provided access to the games of the 1980s and provided a link to the brand's heritage.

ssessing Strengths and Weaknesses

nowledge of a competitor's strengths and weaknesses provides insight into its ability to pursue rious strategies. It also offers important input into the process of identifying and selecting rategic alternatives. One approach is to exploit a competitor's weakness in an area where the m has an existing or developing strength. The desired pattern is to develop a strategy that will t "our" strength against a competitor's weakness. Another approach is to bypass or neutralize a mpetitor's strength.

One firm that developed a strategy to neutralize a competitor's strength was a small software m that lacked a retail distribution capability or the resources to engage in retail advertising.

It targeted value-added software systems firms, which sell total software and sometimes hardware systems to organizations such as investment firms or hospitals. These value-added systems firms could understand and exploit the power of the product, integrate it into their systems, and use it in quantity. The competitor's superior access to a distribution channel or resources to support an advertising effort was thus neutralized.

The assessment of a competitor's strengths and weaknesses starts with an identification of relevant assets and competencies for the industry and then evaluates the competitor on the basis of those assets and competencies. We now turn to these topics.

COMPETITOR STRENGTHS AND WEAKNESSES

What are the Relevant Assets and Competencies?

Competitor strengths and weaknesses are based on the existence or absence of assets or competencies. Thus, an asset such as a well-known name or a prime location could represent a strength, as could a competency such as the ability to develop a strong promotional program. Conversely, the absence of an asset or competency can represent a weakness.

To analyze competitor strengths and weaknesses, it is thus necessary to identify the assets and competencies that are relevant to the industry. As Figure 3.3 suggests, four sets of questions can be helpful.

1. ***What businesses have been successful over time? What assets or competencies have contributed to their success? What businesses have had chronically low performance? Why? What assets or competencies do they lack?***
   By definition, assets and competencies that provide SCAs should affect performance over time. Thus, businesses that differ with respect to performance over time should also differ with respect to their assets and competencies. Analysis of the causes of the performance usually suggests sets of relevant competencies and assets. Typically, the superior performers have developed and maintained key assets and competencies that have been the basis for their performance. Conversely, weakness in several assets and competencies relevant to the industry and its strategy should visibly contribute to the inferior performance of the weak competitors over time.

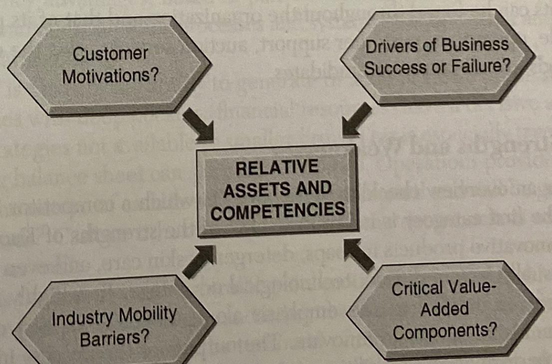

Figure 3.3 Identifying Relevant Assets and Competencies