



NINTENDO: I AM ON JOURNEY ... A MISSION TO SAVE MARIO!*

As my plane touched down at Narita International airport, the exhaustion from the 10-hour flight disappeared and was replaced with pure excitement. After months of negotiation and strict nondisclosure procedures, I was finally going to see the birthplace of Mario and Luigi. I had been charged with assessing Nintendo's current strategy for launching the next generation of console gaming. Coming off of huge success for Wii and highly disappointing sales for Wii U, the company was under the helm of a new CEO who was determined to avoid the mistakes of the past.

With my luggage in tow, I exited the customs area a mere 40 minutes after touchdown thanks to Japanese efficiency. I was met with borage of people and signs in the receiving area. I knew my name would not be on anyone's clipboard having come in a few days before my work was to begin. I planned to explore the city and all its marvels for a few days before heading to Kyoto. On my itinerary was visiting Akihabara—the tech center of Tokyo—the modern architectural marvel of the Sky Tree, and of course enjoying all the sushi I could get my hands on.

During my adventure, I was struck by the amount of order and efficiency that seemed to be constantly surrounding me. Everything moved with precision and speed and you would never guess you were in a metropolitan city with a population of 37 million. The streets were clean and you could find beauty around any corner. When my Shinkansen (bullet train) pulled into Kyoto station, it was refreshing to see people slow as they marvelled at the history surrounding them. The switch from the hurried streets of Tokyo to the meandering stroll of Kyoto was a welcome change. This time my name was on a clipboard and the rush of excitement returned, as I knew this mission would be like no other.

After several moments of confusion and an awkward presentation of my business card, it was confirmed that I was indeed Daisy Tetra, the consultant hired from Silicon Valley. I later learned that being a Caucasian female had been lost in translation before my arrival. I now face the daunting task of convincing the executive team that my extensive background in gaming and international consulting experience was more relevant than my gender and race.

OF CARDS AND VIDEO GAMES

Nintendo's history dates back to 1889, with a traditional playing card manufacturing business. While extending its products to western-type playing cards, the company reached

the American market. In 1966, it started selling unique toys and quickly incorporated electronic parts into its products. Building on its experience, Nintendo evolved to become a dedicated videogame company. In 1980, it started selling handheld gaming devices "Game & Watch," and in 1981, created the arcade game Donkey Kong. What ensued was a long series of home and handheld consoles: from the Famicom (known as Nintendo Entertainment System—or NES—outside Japan) in 1983 to the record selling Wii in 2006, with Gameboy and Nintendo DS in between, the company name has become a synonym of video game entertainment for generations of consumers.

Traditional Competition Landscape. The video game industry has always been a competitive one; the current (eighth) generation of consoles essentially feature Nintendo (Wii U), Sony (PlayStation 4), and Microsoft (Xbox One). Other platforms exist but remain highly marginal in terms of sales and market penetration. Out of the three giants, Nintendo is a survivor, having outlived Atari and Sega in the hardware segment. NEC and SNK, two major game manufacturers in Japan, retracted from the consumer market to focus on the arcade machines segment. Nokia's entry to the market with Ngage, a hybrid design half mobile phone half portable console with limited titles to play also failed.

Nintendo made portable gaming real with Gameboy in 1989 an immediate hit, followed by its competitors. Since that time, Nintendo remains the leader in the handheld segment, with the current evolution of Nintendo DS, ahead of Sony's PlayStation Portable family.

On the software segment, the competition landscape is different. Nintendo publishes games for its own platform that are not compatible with other systems. Third party publishers may release their titles on the platform of their choice but, should a best seller be absent in Nintendo's catalog, it foregoes a significant market share. This is exactly what happened with Minecraft, a widely popular and highly rated construction game released in 2011 (think of it as a digital version of Lego, to create worlds and adventures). Minecraft is used as a pedagogic tool in schools and by the United Nations for urban planning. It is available on PC, mobiles, PlayStation, and Xbox but not on Wii U. Minecraft was finally released on the Nintendo platform sometimes in 2015.

RECENT GENERATIONS OF CONSOLES BY MANUFACTURERS

Conversely, exclusive games have been a strategy that paid off well for Nintendo's handheld console: the Pokémon games series (consisting of fictional creatures, which humans capture and train to fight each other for sport) sold 96 million units in total, driving huge sales for Gameboy, Nintendo DS, and 3DS.

*This case was prepared by Keiko Aoyama, Amanda Chehrezad, Christophe Scicluna, and Hideki Yoshihisa of the Fox School of Business at Temple University Japan under the supervision of Masaaki Kotabe of Temple University for class discussion rather than to illustrate either effective or ineffective management of a situation described (2016).

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Generation	Atari	Sega	Nintendo	Sony	Microsoft
Third (1983–1995)	Atari 7800	SG-1000	NES	—	—
Fourth (1987–1999)	Lynx (H)	Sega Master System Megadrive Genesis Gamegear (H)	Super NES Gameboy (H)	—	—
Fifth (1993–2006)	Jaguar		Nintendo 64 Gameboy color (H)	PlayStation	—
Sixth (1998–2013)	—	Dreamcast	Gamecube Gameboy advance (H)	PlayStation 2	Xbox
Seventh (2005–)	—	—	Wii DS (H)	PlayStation 3 PSP (H)	Xbox 360
Eighth (2012–)	—	—	Wii U 3DS (H)	PlayStation 4 Vista (H)	Xbox One

(H): Handheld console.
Source: Wikipedia.

When I was introduced to the new CEO, Tatsumi Kimishima, it was the first handshake I had received since arriving in Japan. After extensive time in the U.S. with Sanwa Bank of Japan and running Nintendo of America for over 4 years, it was clear Mr. Kimishima had picked up a few things from the west. I suddenly realized his desire for change was the reason I was called in as an advisor.

Company Culture and Values. Nintendo defines itself as a company that “delivers smiles to consumers through entertainment.” It is, and has always been, a game company, starting from traditional playing cards in 1889. Consumer electronics has widely expanded the entertainment potential of the company, but it maintains its original roots with games that are easy to play and appeal to family members of all ages. Nintendo’s core values are based on three guiding pillars: originality, flexibility, and sincerity. The company focuses on providing a unique and original experience for the consumers through innovation while staying flexible to survive in the fast changing world.

It values sincerity: it remains humble and has placed the utmost importance on the trust consumers place in the company. Nintendo also focuses on cultivating its philosophy with its business partners to create a corporate culture based on its values.

Nintendo has more than a goal, it has a mission: to make people happy and surprise them by achieving goals that seem impossible to the average person. This translates into a code of ethics that cannot be compared with other console game manufacturers. For instance, Nintendo produces both hardware and software, thus delivering a gaming experience 100 percent aligned with the company values. Nintendo also recognizes that its entertainment products are not “daily necessities”; therefore, only the genuine gaming experience can maintain the consumers’ interest.

Nintendo built—and still grows—a family of characters that are loved by generations of gamers. The strong IP related to characters has created a huge “Intangible Asset” for Nintendo is indeed a large (if not the largest) contributor to the image of the company. This asset has been successfully tapped to create hit games to boost sales and generate

revenue through licensing/merchandising. New titles involving the main characters receive large media attention and seldom miss to reach the top of games charts. Among Wii’s Top 20 best-selling games, 14 are from Nintendo and 9 feature its characters.

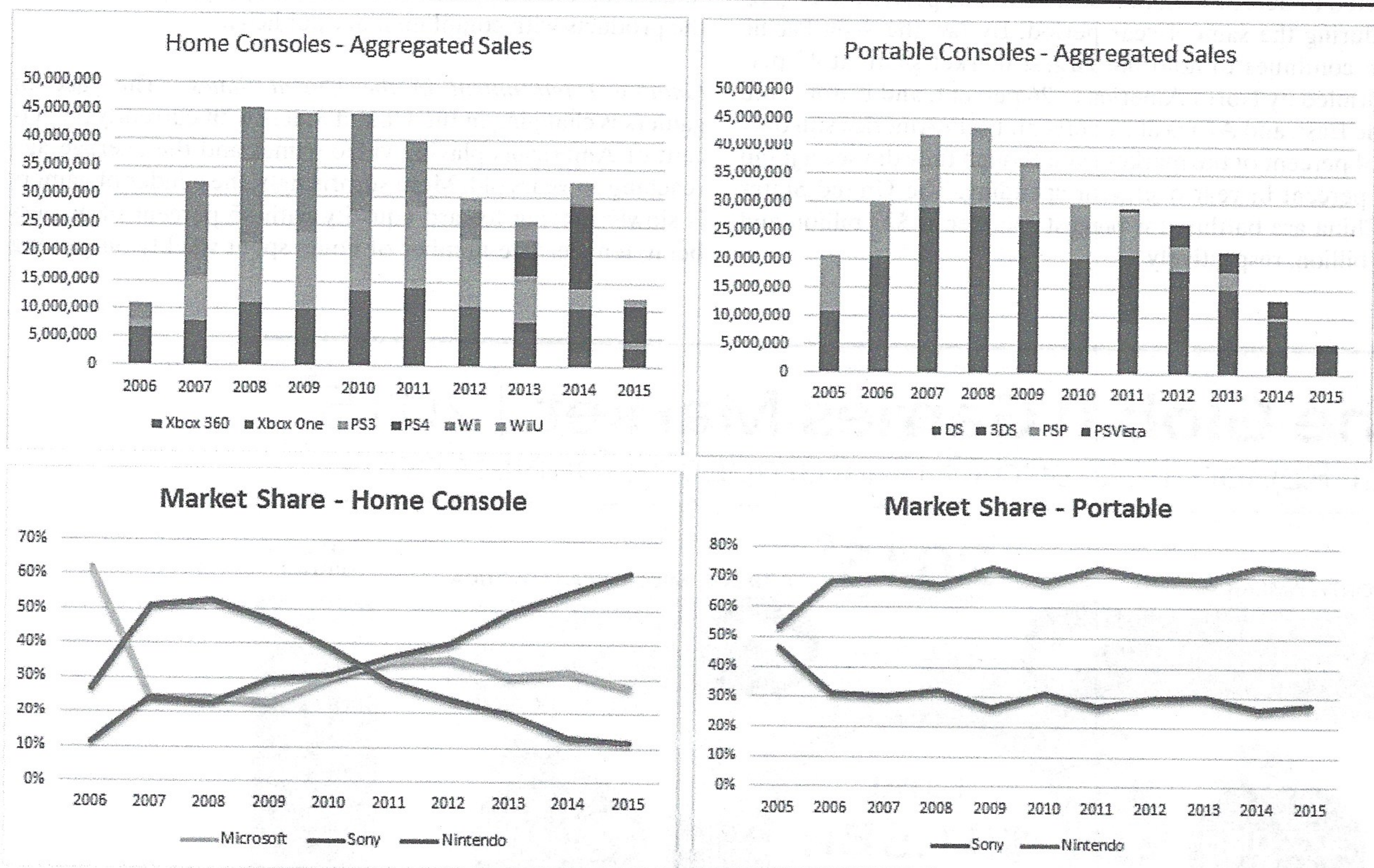
With safety in mind, Nintendo keeps high standard for its hardware and software development with a goal that all the family can enjoy the games with peace of mind. Nintendo prided itself on the fact that the games they create entertain and educate; they do not display extreme violence. (Some games produced by third-party game publishers have created more intense game offerings.)

In my first meeting with the Board of Directors and Executive Management team, it was crystal clear we had some work to do. I sat before the group as the only non-Japanese, the only female, and the only one not looking to retire in the next 5 years. The old boys club was in full force and I knew it would have an effect on their strategy and bottom line.

FINANCIAL OUTLOOK: OF SALES, MARKET SHARE, AND PRICING

Sales and Market Share. Hardware is a key driver for Nintendo’s market share. Sales of consoles peaked in 2008 with Wii and DS as best sellers. The iPhone and other mobile products started to penetrate the market, and console sales have declined annually ever since. Nintendo was the most affected: not only it lost leadership in the home segment but also its total market share fell to 12 percent in August 2015. Market share on handheld devices remains comfortable at 72 percent but with a global sales decline (as a result of the wide adoption of smartphones), the overall market is in danger. Nintendo’s legacy of simple games enjoyed as a family is suffering from unprecedented competition.

Pricing and Revenue Mix. Nintendo has historically set console prices lower than competitors in order to target family and casual game users. In contrast to archrivals Sony PlayStation 4, sold at \$399 and Microsoft Xbox sold at \$499, Wii U is priced at only \$299. With high-end graphics and a 6.2-inch tablet with double display, this price point is a steal.



Source: <http://www.vgchartz.com/>.

Nintendo sets licensing fees for game manufacturers on a “per unit sold” basis. The fee is generally set around \$10–\$20 and paid by the third-party software creator to the company directly. This additional revenue stream enables Nintendo to maintain its low costs for hardware; however, it has the highest licensing fee in the industry and has deterred many publishers.

Nintendo also leverages its character brands for newly developed games. Well-known characters, like Mario and Luigi, are featured on games for the new platforms creating an enticement for loyal players to buy the new hardware. This strategy allows the company to maintain and gain market share while differentiates itself from higher-priced consoles. To further reach consumers and generate additional revenues, Nintendo licenses its character brands for merchandising and opened Nintendo flagship stores such as the Pokemon Centers in Japan and the “Nintendo World,” located in Rockefeller Plaza, New York: a 10,000-square foot space dedicated to gaming goodness.

A GLOBAL COMPANY: MANUFACTURING AND DISTRIBUTION

Nintendo adopts a factory-less production model: the company does not own the facilities that manufacture or assemble their products. Instead, it works with major production

partners around the world (such as Foxconn which assembles Apple products and Mitsumi) to improve the quality, safety, technical capability, and efficiency of the entire production process. This model has allowed Nintendo to hold more of its capital and invest in design and development, creating further opportunity to lower the price of its products and to remain competitive.

Customers can purchase Nintendo products in a variety of locations including retail shops, flagship stores, retail online sites, and directly from Nintendo online. eShop cards are sold in supermarkets and convenience store, which allow younger players to acquire products online, without cash transaction. Nintendo localized its products from the introduction of Super NES in the United States in 1985 and since then focuses on three regions, North America, Asia, and Europe, with scheduled releases of consoles and games. It operates a multinational web platform in 35 countries and local languages for its online shops. So does the whole industry.

THE WORLD IS EVOLVING: CURRENT CONSUMPTION TRENDS

The global gaming industry is projected to reach \$113.3 billion by 2018, which is a \$30 billion increase from the 2014 numbers. The largest growth area is projected to be over \$25 billion

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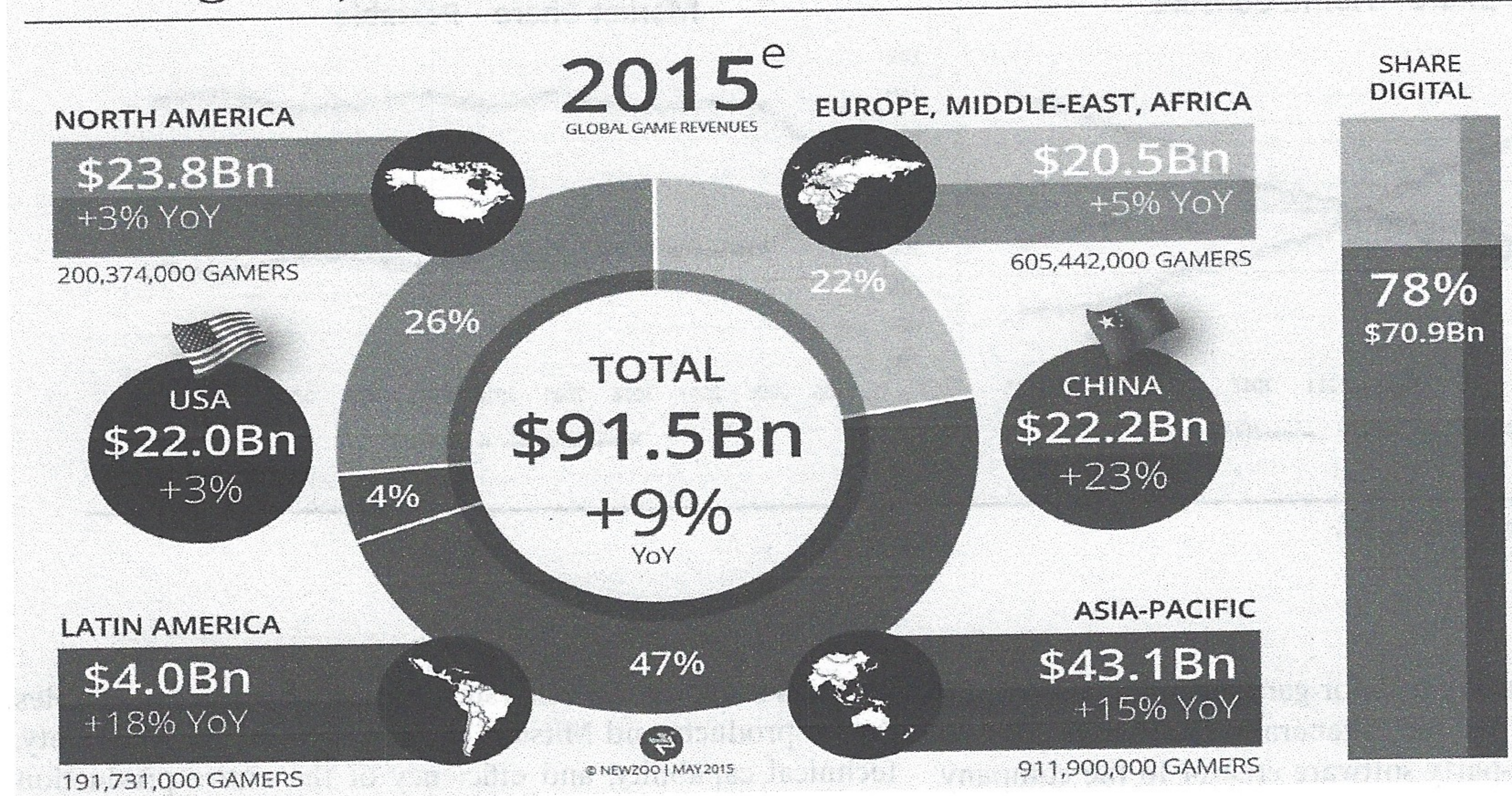
in mobile and tablet games alone, while console games are projected to decrease market share from 29 percent to 24 percent during the same 4-year period. By far, the Asia-Pacific region continues to hold the largest market share at 47 percent, trailed by North America at 26 percent, and Europe, the Middle East, and Africa at 22 percent. Latin America still only holds 4 percent of the market even though they did see a jump of 18 percent in year over year spending. The United States and China are battling for biggest spender at \$22 billion and \$22.3 billion, respectively.

its product, each reaching a different target population. Key to utilizing these opportunities lies with proper positioning of the products with complimentary publicity.

Gaming Environment in the United States. The face of gamers is changing in the United States with currently 58 percent of Americans playing video games and the average age reaching 30 years old. More surprisingly, the gender of gamers is slowly moving toward equality with 45 percent of gamers being female. The number of hours spent weekly on gaming

The Global Games Market | 2015^e

Per Region | US and China Competing for Number 1



Source: Newzoo Game Market Research.

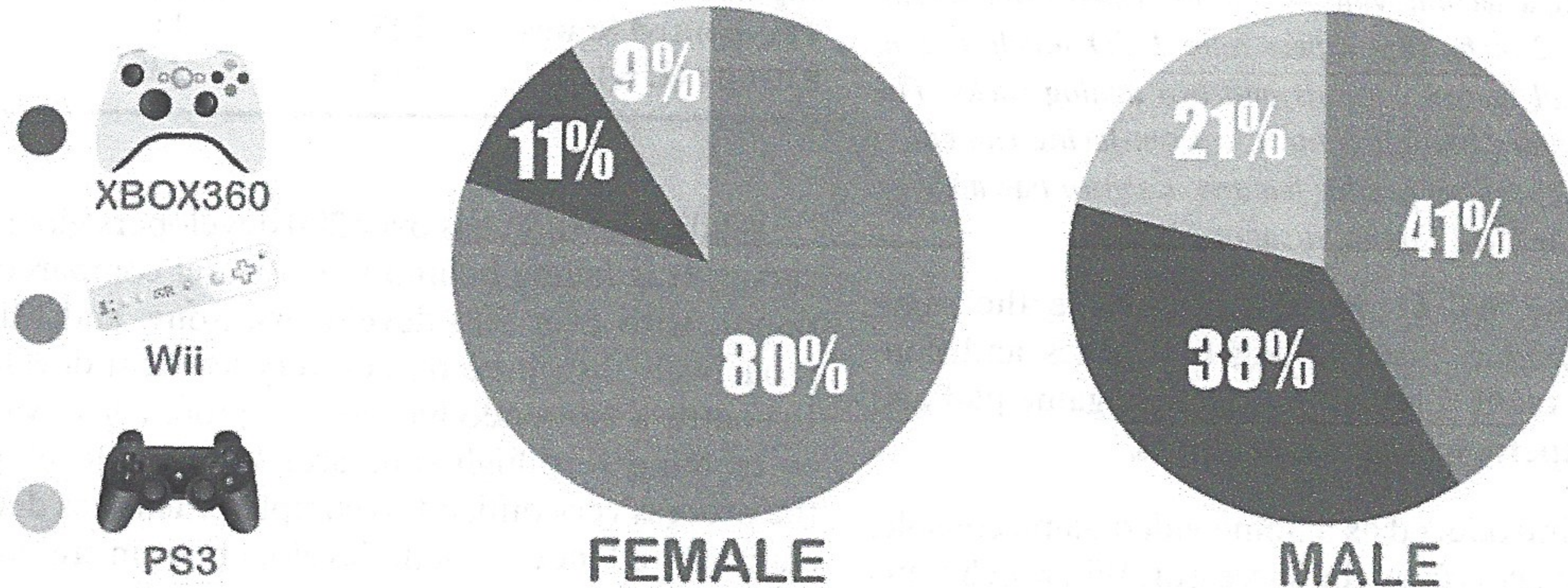
When I tried to describe Kyoto to my family back home, there were no words to convey all the beauty you encounter. From the women strolling down the streets of Gion in elaborate kimono to the simple flowers growing wherever the earth is not covered in concrete to the hundreds of shrines and temples, the city holds a special charm I haven't seen anywhere else. As my husband carried my digitized image on his phone from room to room so I could say goodnight to the kids, I wondered what they would think of living in close quarters like so many Japanese families. Would we spend more time together or would they still retreat to their own corner to play on their iPads? Life back home was so full of electronic noise, would they even notice the beauty around them?

Gaming platforms can be segmented into five areas: arcade games played with large installed equipment in public areas, home console games designed to interface with television screens, dedicated handheld devices, computer-based games, and mobile personal screens. The American market continues to be dominated by console usage at 45 percent while computer screens prevail in China at 68 percent and mobile devices win out in Japan due to long commute times. The diversity of gaming platforms offers Nintendo various outlets to deliver

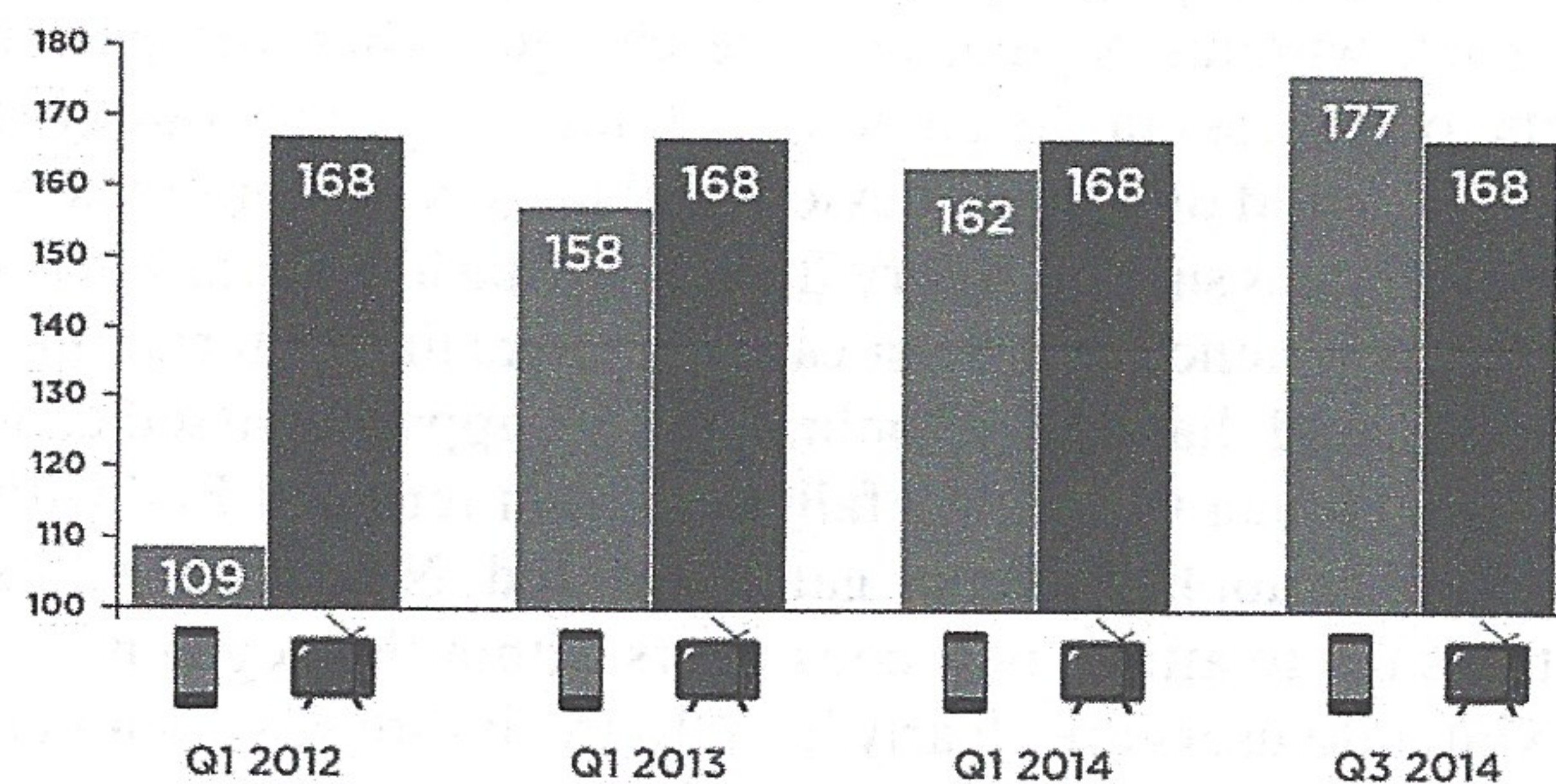
has also increased from 5.1 hours in 2011 to 6.3 hours in 2013. A major factor contributing to the surge in female gamers and hours spent gaming is the increase in mobile devices availability.

Changes in the Family. With the invention of the smartphone, the global landscape changed, societal norms were forgotten, and entire cultures were transformed. With the ability to connect, not only to the internet but also to people and places in a whole new way, the traditional family lifestyle has morphed. Mobile penetration has reached 101 percent in the United States meaning that there are officially more phones than people. Since 2014, Mobile devices have become the number one channel for people to access media in the United States and 83 percent of mobile device owners are spending time gaming while on the go. Mobile advertising has surpassed television in having more impact on purchasing decisions. The switch to mobile has created a new standard for communication; parents no longer call their kids, they text. The fights over whose television program will be watched have disappeared since individuals can view their preference on their own personal screen.

Primary Console Players:



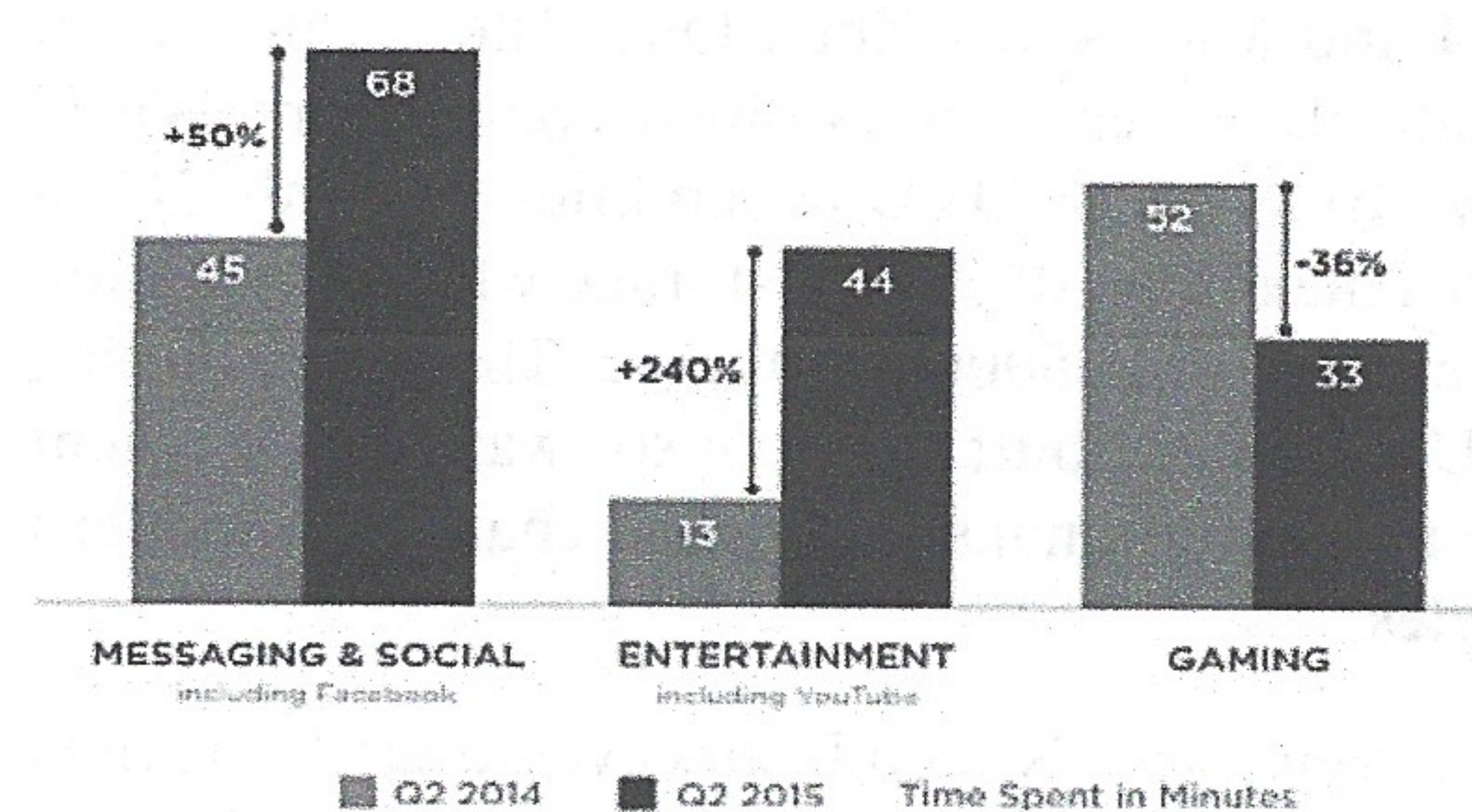
Time Spent on Mobile Devices and TV US Daily Average (Min)



© FLURRY

Source: Flurry Analytics, comScore

Gaming Loses Ground to Entertainment, Messaging & Social Apps



© FLURRY

Source: Flurry Analytics, comScore, Pandora, Facebook, NetMarketShare

Source: Education database online, <http://www.onlineeducation.net/videogame>.

Even more concerning than the switch from television to mobile is the push toward entertainment and social activities. In Q2 2014, gaming was the most popular activity for mobile users, just 1 year later entertainment surpassed gaming with messaging and social media consuming more than double the time of mobile gaming. This shift adds new competitors in the gaming industry who continue to shift toward mobile devices to generate revenue. The days of sitting around the TV to play video games as a family are numbered. The changing landscape of the modern family is a huge threat to the console game market.

Nintendo's positioning as a family-based product still gives it some competitive advantage. Parents are reportedly involved in 89 percent of their kid's gaming purchases and 79 percent play games with their children. With over 51 percent of American households owning at least one console game, the challenge in 2015 is to bridge the traditional with the modern. Finding a way to connect console games with mobile devices and links to social networks will be key for future gaming success.

On a tour of the R&D facility, I was struck by how few engineers were responsible for all of the Nintendo coding. When I inquired about outsourcing, Genyo Takeda, Head of Operations, replied: "We like it this way. We can ensure things are done correctly and maintaining high quality, that's what our customers expect." While an admirable view I wasn't sure that it holds true in the global marketplace. But the floor of the development division was no place to question a man like

Mr. Takeda. I had a feeling this was just one of the many challenges Nintendo was facing.

OF HARDWARE AND SOFTWARE

Hardware Design: Being Unique. Nintendo focuses on delivering a unique gaming experience, not just through its games but also multiple accessories that enhance interaction or enable multiplayer engagement. Some accessories (the Robot Operating Buddy and the Powerglove) were unsuccessful but remain icons that made a generation of gamers dream of exciting gameplay. Innovation paid off with the Wii remote (Wiimote), Wii Fit balance board. Amiibo, figurines and cards that enrich the games were launched in 2014: product features are simpler technology but shows relatively promising sales growth.

A main feature of the Wii remote is its motion sensing capability, which allows the user to interact with and manipulate items on screen via gesture recognition and pointing through the use of accelerometer and optical sensor technology. This transformed the way of interacting with games, away from the traditional wired pads fitted with multiple buttons. The Balance Board accessory was fitted with pinpoint-accurate weight sensors bundled with a well-marketed game that invited the user to perform yoga and other body exercises, usually in the form of video games, with scores and records of progress. Both accessories contributed in large part to Wii sales because of their appeal to older, casual gamers, and the fact that the system could double as a fitness device.

The latest accessory is the Wii U pad, which Nintendo describes as:

“It removes the traditional barriers between you, your games, and your TV by creating a second window into the video game world. It incorporates a 6.2-inch, 16:9 aspect ratio LCD touch screen, as well as traditional button controls and two analog sticks. The GamePad also includes motion control, a front-facing camera, a microphone, stereo speakers, rumble features, a sensor bar, a stylus, and support for Near Field Communication (NFC).”

Unfortunately, the Wii U pad did not create the same excitement as its predecessors among the critics and consumers though: not really a tablet, not really a game pad and too few games to experience the new benefits.

Wii U. Wii U was introduced as a home video game console, coming off of huge success from the successor, Wii, which touts more than 101 million units shipped. Wii U had huge expectations to live up to; however, as of June 2015, only 10 million units had been shipped. As the first entry in the eighth generation of video game home consoles, it competes with Sony’s PlayStation 4 and Microsoft’s Xbox One. The feature set of Wii U is relatively lower than its direct competitors. Wii U does not have Blue-ray or DVD capabilities, has only 2G of memory, and a maximum of 32G of storage while PlayStation 4 has 8G of memory and 500G of storage. The disappointing sales of Wii U can be attributed to poor software development options, a weak promotional strategy, and changes to modern family lifestyles.

Software Development. Nintendo believes that the variety and availability of games is the most important factor for consumers when choosing which game platform to buy. Comparing software offerings for Wii U, PlayStation 4, and Xbox One, Nintendo is not exactly competitive. In North America, the number of games released is about the same between Wii U and PlayStation 4. But in Japan and in Europe, Wii U lags behind its competitors. With 47 percent of the gaming market being concentrated in Asia this is an area Nintendo will need to focus on to increase its market share globally.

Titles Available per Region	Wii U	PlayStation 4	Xbox One
Japan	86	152	196
The United States	123	116	450
Europe (UK)	116	235	439

While Nintendo has over 200 developers globally releasing games. It is falling behind in software: compared to PlayStation 4, with over 500 developers, Sony, and Microsoft who proactively distribute free or very low cost development kits. In contrast, Nintendo has taken a more conservative position by creating very high standards for new developers making the process very difficult to complete. This has detoured many students and independent developers from creating games for Nintendo consoles.

One of the weakest areas for Nintendo is in the “Free-to-Play” market (F2P). Several publishers have opted for this strategy: players can access to a significant portion of the game without paying; fees are charged when the player wants to progress in the game or get add-ons. This strategy is widely adopted on mobile devices and targets millions of consumers. Games such as Angry Birds and Clash of Clans offer a gaming experience that most casual gamers find entertaining. It is estimated that in 2015 online gaming apps surpassed console game revenue. Wii U’s falls behind in terms of F2P with very limited applications or games offered, Nintendo and its partners fail to attract new consumers within this segment.

Nintendo users are clearly loyal to the in-house developed games and characters. However, with the increased competition from free and online games, Nintendo cannot ignore the pressure to open its platform to more developers. Relying strictly on past success will not keep them competitive in the global marketplace.

Walking through the corporate offices felt like being transported back to the 1950s. Managers sequestered themselves in large simple offices with perky secretaries sitting guard. The working crew shared an open area with small desks only large

Pos	Game	Platform	Year	Genre	Publisher	North America	Europe	Japan	Rest of World	Global
1	Mario Kart 8	WiiU	2014	Racing	Nintendo	2.32	1.39	1.07	0.34	5.11
2	New Super Mario Bros. U	WiiU	2012	Action	Nintendo	2.22	1.06	1.24	0.29	4.81
3	Nintedo Land	WiiU	2012	Action	Nintendo	2.44	0.97	0.45	0.29	4.15
4	Super smash Bros. for Wii U and 3DS	WiiU	2014	Fighting	Nintendo	1.97	0.72	0.66	0.22	3.56
5	Super Mario 3D World	WiiU	2013	Platform	Nintendo	1.74	0.86	0.65	0.23	3.48
6	New Spuer Luigi U	WiiU	2013	Platform	Nintendo	1.21	0.58	0.17	0.16	2.11
7	Wii Party U	WiiU	2013	Action	Nintendo	0.30	0.41	0.82	0.08	1.62
8	Splatoon	Wiiu	2015	Shooter	Nintendo	0.61	0.30	0.47	0.08	1.45
9	The Legend of Zalda: The Wind Waker	WiiU	2013	Action	Nintendo	0.77	0.40	0.13	0.10	1.40
10	Donkey Kong Country: Tropical Freeze	WiiU	2014	Platform	Nintendo	0.55	0.36	0.14	0.09	1.14
11	Hyrule Warriors	WiiU	2014	Action	Nintendo	0.49	0.31	0.13	0.07	1.00
12	Lego City Undercover	WiiU	2013	Action	Nintendo	0.44	0.31	0.12	0.07	0.94
13	Pikmin 3	WiiU	2013	Strategy	Nintendo	0.37	0.23	0.28	0.06	0.93
14	Mario Party 10	WiiU	2015	Misc	Nintendo	0.43	0.23	0.16	0.06	0.88
15	ZombiU	WiiU	2012	Action	Ubisoft	0.45	0.31	0.05	0.07	0.87

Source: vgchartz.com.

enough for a computer and phone. Department after department and floor after floor I was greeted with standing bows and then a return to quiet working. There was no laughing and chatting, no collaborating and sharing, and no trace of Nintendo merchandise anywhere. The atmosphere screamed order and structure not creativity and innovation like so many of the tech companies I had visited before. I had to ask myself, "Will this company be able to innovate and come up with the next generation console that can compete in the current market?"

PROMOTIONAL STRATEGY

Nintendo's marketing strategy has been praised as genuine and a breath of fresh air. However, with the release of Wii U, the promotion, place, and product were weak which led to sluggish sales. Poor advertising, relying on word of mouth, and a minimal advertising budget coupled with too few software options and difficulties for entry of new third-party developers stagnated the product launch. Promotion has traditionally been a strong area for Nintendo with ingenious global ads like "Wii Would Like to Play" featuring people having fun with the innovative game, to intense dark plots seen in "The Legend of Zelda: Majora's Mask." These ads tapped into the human feelings of gaming, which resonated with consumers and had been lacking from the original Wii U line-up.

Between 2010 and 2013, Nintendo veered away from its traditional character-based ads, even employing Beyonce to endorse the product. During this time, packaging and promotional materials were very bland and did not appeal to loyal Nintendo customers. After the relaunch of character-centric advertising in 2014, such as "Luigi Rides the Chicago L Train" and "Super Mario 3D World," commercials once again connected with gamers. Unfortunately, the damage had already been done for Wii U and the console never gained market share.

INNOVATION ALWAYS

"The company cannot survive unless we respond dynamically to the constantly changing world. If the conditions and environment change, the optimal approach will change accordingly. We must respond flexibly to changes by thinking outside the box and not simply relying on common sense or what has worked in the past," says Nintendo in its 2015 CSR report. Speculators are looking toward virtual reality (VR) and augmented reality (AR) as new innovations they suspect Nintendo is developing for the next-generation platform, codename NX.

Virtual reality is an immersive multimedia or computer graphics-simulated life, which was initially developed in 1990s and re-emphasized starting in 2012. Often seen in futuristic sci-fi works, this technology involves a headset that enables gamers to be immersed in a detailed and realistic 3D world. The current offerings are chunky and expensive, preventing adoption by the mainstream.

Augmented reality is a view of the physical, real world that is augmented digitally by sound, video, graphics, or GPS data. In contrast to VR, which replaces the real world with a simulation, AR modifies or increases reality resulting in an enhanced reality. This technology is already in common use, sports fans would recognize it as the "augmented" representations of

lines/marks or advertisement on their home television screens and that do not exist on the playing fields.

Traditionally, Nintendo has focused on creating unique and innovative technology like motion control, fantastical and adventurous characters, and quality of life-improving games. Game fans expect Nintendo NX to be a top-notch console, harmonizing creative competencies, and cutting-edge technology, which may include VR and/or AR.

On one of my last nights in Kyoto a few of the staff invited me to their local watering hole. When we arrived we had to wait 20 minute for a seat, when I asked why we didn't try the place next door with the happy hour specials, I learned another insight into the Japanese mind. "We always come here because we know them and we trust they will treat us fairly," was the response I received. In that moment, I understood the importance of relationships and that business at Nintendo is about more than just the bottom line.

REACTING TO THE CHANGES

The New Competitive Environment. Traditional console producers are no longer the main threat Nintendo has to worry about. Consumers have turned to mobile platforms for casual entertainment: at home or on the go. This (r)evolution further opened the market for video games through free and inexpensive apps, making the market for consoles even smaller. Nintendo's strategy relied on the full control of its hardware and software development and distribution to distinguish it from other console video games. Few hints have been seen from the company allowing us to only guess how Nintendo will likely react to the massive disruption the industry is experiencing. Apple opened up its TV product to games, allowing users to enjoy Candy Crush and Angry Birds on a large screen. In the Virtual Reality arena, Facebook (with Oculus) and Google (with its Cardboard initiative) are in the forefront with more competitors most likely to emerge.

A Partnership to Test Mobile Apps. Nintendo has always rejected requests to lend Mario and other characters to be played on iOS or Android systems. However, things changed in 2015. Nintendo and DeNA officially announced that they would team up to develop and operate new games for smart devices and social networking game platforms. DeNA, founded in 1999, is a Japanese provider of mobile portal and e-commerce websites and social networks. DeNA owns "Mobage," one of most popular game platforms, on top of a diversified business portfolio including e-commerce and a professional baseball team. The partnership with DeNA is a departure from Nintendo's previous stance on mobile gaming.

Product Innovation. Nintendo announced that it would focus on QOL: quality of life. Looking into the ways games can entertain people and improve their quality of life, Nintendo has employed a strategy similar to IOT manufacturers (internet of things), that is, targeting good health, healthy social relationships, fulfilling work, a comfortable living space, sufficient education, and leisure time. The late Satoru Owata explained that Nintendo would focus on health in terms of sleep and fatigue: "While sleep and fatigue affect everyone throughout the world, many aspects have yet to be sufficiently clarified from a scientific perspective, so I think there is great

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significance in taking on this challenge. In addition, if we are able to make proposals incorporating systems that, for example, enable people to check the sleep conditions of parents who live far away and watch over them, this theme could provide something of great value to society.”

Another announcement Nintendo made in September 2015 confirms the speculations and expectations for the future of the company: *Pokemon GO*, a location-based adventure game leveraging augmented reality, is being developed jointly with a mobile game publisher. In a single press release, Nintendo revealed a free-to-play mobile game with augmented reality capabilities.

The two weeks I spent at Nintendo Headquarters in Kyoto was like working in the future while living in the past. Once the executives accepted the fact that yes I was a woman, and yes a gaijin (foreigner), and yes a gamer, I was given an inside view of Nintendo's entire operation. Their working style and attention to detail coupled with deep rooted commitment to values

really shows their commitment to their longstanding philosophy, “Never go the easy path, it’s always to challenge ourselves and try to do something new.”

While this philosophy has helped them thrive for over 150 years, it is unclear if their traditional values will hold back their future success. The gaming industry continues to grow but is becoming more crowded. Mobile devices have changed the face of society and family life. Globalization and outsourcing have become standard business practices. Variety and flexibility are essential to remain competitive and innovation is a key driver. The question for Nintendo is, will they be able to stay true to their values while creating the competitive advantage they need to make it another 150 years. Only time will tell if they can find the right strategic balance between efficiency and effectiveness.

When I stepped off the train in Tokyo once again I couldn’t help but wonder if Nintendo would someday join the bustling modern city style or stand firm in their traditional oasis of Kyoto.