

- 1 - 0 Not addressed
- 2 - 40 - You don't identify the 2 forces that are of the most significance
- 3 - ~~30~~ Nor do you directly address how they should be overcome.
- 4 - 25 ~~Inadequate~~ Adequate discussion of how competition could be overcome.
- 5 - 42
- 6 - 10 Is piracy an external threat? You don't say. I will give you partial credit.
- 7 - 0
- 8 - ~~17.5~~ 17.5
- 9 - 25 You don't clearly identify the most significant strengths and weaknesses I have to guess what they are.

~~187~~ 190 / 350

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Assignment 2: External and Internal Environments

BUS 499

Professor Paul J. Hutter

No discussion of the value chain.

You don't set these forth specifically.

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Khoa, it appears you have written a different paper than the one assigned. Though there is some overlap between your paper and the requirements of the assignment, there is insufficient ~~over~~ treatment of the subjects required. You may redo this if you want to.

Introduction

When Nintendo speaks, the world of gaming listens. The launch of the Nintendo Wii gaming console in 2006 was a smashing success; it revolutionized the world of gaming, which reclaimed the company's place in the gaming market (Nintendo, 2011). With upcoming titles such as Wii Balance Board and 'Wii Fit,' Nintendo managed to encourage physical activities by getting gamers off the couch. This is part of the company's corporate social responsibility given constant criticism that video games contribute largely to the unprecedented rise of obesity in the United States. Technological breakthrough and innovation are Nintendo's key strengths. A notable weakness is fierce competitiveness of the gaming industry in the past decade; key competitors include Sony and Microsoft with ^{their} respective Play Station and XBOX 360 (Thorsen, 2010). The company has managed to compete in the market by defining core competencies, and exploiting viable opportunities.

Organizational Overview

In ^{the} early 1980s, Nintendo ~~had~~ diversified its presence in the entertainment market but lost its dominance to the video game giants like Microsoft, Sony, and Sega who were keen to bring new ideas to the people. In its bid to venture back ^{to} the lucrative video game console market, Nintendo launched its trademark Wii gaming console in 2006 (Thorsen, 2010). This particular gaming console integrated a system based on virtual reality to deliver a signature product to the market. The move was a game changer; Wii attracted a large demographic following thereby knocking out the already established gaming console companies due to its freshness and easy-to-use interface. Nintendo's Wii technology targets users of all ages, races, sexes and nationalities leaving it with a room for future expansion and development. Nintendo Wii is hailed as one of the most innovative technology in gaming hardware (Thorsen, 2010).

Nintendo's core business focuses on the production of contemporary gaming console hardware and software. This company intends to produce goods that meet the customer's requirements through continuous product improvement. Nintendo as a company believes that it is through equal customer treatment and commitment that such quality revolution is obtainable. The company also seeks to commit to its employees since this is the source of enthusiasm that is badly needed in production of quality goods. Nintendo markets its gaming consoles mainly through the corporate website <http://www.nintendo.com> (Nintendo, 2011).

Nintendo is currently headed by a six-member board under the leadership of Satoru Iwata. This organizational setup is designed in a foolproof manner which ensures all fundamental business considerations are treated equally at board level (Spong, 2002). Due to price reduction on the newly discovered Wii, Nintendo has been able to amass up to \$2.04 billion worth of profits and \$15.2 billion in revenue for the trading period ending March 2010 (Thorsen, 2010).

These profits are a clear indication that the company is likely to continue losing its profits due to the price reduction factor since it had made a profit of \$2.98 billion and \$12.5 billion in revenues in the previous trading period (Thorsen, 2010).

The company culture is well defined to list the rudiments of its social corporate responsibility (CSR), drafted with regard to customer service, community activities, corporate governance, employee welfare, environment, recycling product quality and safety. Customer service at Nintendo is offered on a round-the-clock basis through its website, unlike most of its competitors. The organization seeks to care for its employees by providing highly ergonomic working environments. With regard to the environment, the company maximizes material use to minimize wastage that may get its way to the environment. Moreover, products are packaged in recyclable materials to avoid environmental pollution. The company has set up philanthropic

organizations that are conscious about community development in various parts of the world in order to embrace the spirit of giving (Nintendo, 2011).

SWOT Analysis

One of the company's biggest strength is innovation and creativity. Following the launch of the Wii gaming console, Nintendo reclaimed its place as a creative innovator. Likewise, its products appeal to a cross sectional demographic ranging from children, young people, and adults with every consumer segment with its own distinct consoles. Research shows that with years of experience in video media, Nintendo presently commands a huge share of the global market with a growing number of gamers. In addition, Nintendo has a large number of qualified personnel ranging from the subordinates to the top management. This serves as an advantage that keeps the innovative nature of the gaming console business flourishing and alive. The customer base that Nintendo holds for its Wii product is high as compared to its competitors. Its strengths mainly enlist the large client base due to the user friendly interface that has a high sense of innovation and the fact that Wii products are affordable with the usability it pose to any age group (Moats, 2008).

The weaknesses identified with respect to Wii include the exclusion of third party software in its campaign to eliminate video game related violence. Although the company has been able to gain understanding with its third party software providers, this action comes in at a later date when other competitors have streamlined ^{the} its relationships with third parties. The vigilant nature of hardware production has seen the supply's incapability to satisfy the growing customer base escalating. The graphics cards employed by Wii are of considerably low quality as compared to Sony's Playstation 3 and Microsoft's Xbox 360 thereby conceding defeat in its

inability to feature close to life images (Moats, 2008). As such, the company has had to struggle with competition from the rivals.

Experts have identified numerous opportunities for Nintendo tied to the technological breakthrough the company has had in the past decade since the launch of the Wii gaming console. It has been developing state of the arts console to match rivals innovations. The

is that low price?
opportunistic price of Wii as compared to the competitor's tags has enhanced Nintendo to sell more units regardless of the image quality. *Trug*
 Gaming console has also gained popularity in the current generation, *making it easy* hence *proving it a downhill task* for Nintendo to market the Wii technology as it is the first of its kind in the market. *The* Wii console has faced its share of threats in the market too due to the economic recess recently seen throughout the world. This has also affected the cost of shipping due to escalating costs of oil (Moats, 2008). *price tags?*

The gaming industry has recently come under the threat of impending lawsuits amid emerging claims *about* that the degree of violence as depicted in popular video games is distressing.

Dr. Melissa Bridges, a social psychologist from Stanford University, expresses concerns that violence depicted in media causes aggressive human behavior. In the theory of human

then
 developmental learning, psychologist Erik Erikson explains that human beings are a product of its immediate environment. As social beings, the learning process draws from the occurrences in the immediate environment. By inference, violence depicted in popular video games influences the perception, emotions, and actions of the viewers.

Regrettably, *it is disconcerting to see how* the depiction of violence in the film causes people to act aggressively in its relations towards others. A recent survey conducted under the auspices of child welfare program in the southern states shows that the video game industry has aggravated racial sentiments between minorities – African Americans, Mexicans, and Asians -

and the white folks. This is unfortunate considering that aggrieved parties can use and lobby Congress for the enactment of laws that are likely to pose a major threat not only for Nintendo but also for Play Station and XBOX 360.

Analysis via Porter's Five Forces Model

The competitive rivalry in the gaming console market is very stiff considering the number of new products that are being unveiled. The main rivals to the Wii gaming console technology are Microsoft's Xbox 360 and Sony's Playstation 3. Reflecting on these two established products, the Wii console faces the risk of being disfigured from the market. On another perspective, ^{the}Wii gaming console may not be where it is right now without stiff competition from its major market rivals (Moats, 2008). *No - my friend!*

The customer's bargaining power is however not shaken because Wii is sold at an extremely low price as compared to the competitors. The propensity of the customers to buy Nintendo's Wii gaming console is high since the technology is unique and seems like a market monopoly as the patents governing this technology are tight. The customers can not find any other product that fits Wii description in the current market giving ^{Nintendo} it a competitive advantage over the competitors in terms of substitutability of the Wii products.

Nintendo depends on third party hardware as it does not make its own parts. For example, the Wii batteries are supplied by Panasonic Electronics Company and Processors by International Business Machine (IBM). Nintendo has been able to maintain a cordial and lasting relationship with its suppliers so as to realize timely delivery of goods to the market. On the other hand, it would be better if Nintendo was able to manufacture all the Wii parts as it would be able to realize more superior quality. Although Nintendo manages to sell some of its Wii products online, most of them are sold by retailers who handle other competing goods. This raises the

Quality is a problem?

✓ question on whether the Wii products are given equal consideration as the competitor goods (Moats, 2008).

Strategy Employed

Nintendo's marketing strategy, since the launch of the Wii console, has been seen to tackle considerable setbacks in the global market. The company has shown resourcefulness by reaching out to people with no gaming affiliations such as women and the ~~old age~~ ^{elderly} while maintaining and satisfying its steady customers. The user interface and controls employed by the Wii technology is friendly giving Nintendo a competitive edge against its competitors. Wii console has a shortened game span as compared to Xbox 360 and Playstation 3 which take a considerable period of time to complete with regard to the hectic lifestyles that the present generation faces. The console is also cheap hence attracts a huge following (Carolione, Saravanakuma, Leslie, Clement, Daniel, & M, 2007).

Nintendo's Wii console has been able to beat its substitutes due to the company's keenness on sustainable and discontinuous innovation. This arises from the fact that continued innovation automatically realizes better products. Furthermore there should be a break in technology for the consumers to reflect and be able to use the existing technology. This has enhanced Nintendo to offer close to life experiences which are unique as compared to its competitors' products which lag back as obvious innovations which lack thrill. The company also realizes open innovation as a source of highly maintained customer care in which the consumers are given equal treatment. The arising third party software is supported by the WiiShop channel (Carolione, Saravanakuma, Leslie, Clement, Daniel, & M, 2007).

Issues and Challenges Facing Nintendo

The issue of piracy has taken a toll on Nintendo's proceeds with the intensification of the internet. This loss has been projected to a high of US\$10.92 per customer which is a considerably soaring loss. Peer to peer file sharing in particular is the source of the escalating levels of piracy that have affected the Wii gaming console's productivity to the company. Wii technology has also had problems in establishing itself within the fitness industry through its Wii Balance Board technology. It is interesting that while gaming consoles are blamed for escalating levels of obesity, Wii technology is struggling to integrate fitness within its products. Videogames are also perceived as an evil that leads to the failure of students back at school. Nintendo has had a hard time trying to integrate gaming consoles with education and lifestyle (Carolione, Saravanakuma, Leslie, Clement, Daniel, & M, 2007).

Recommendations

Piracy should be dealt with through technology as the legal means are proving futile in comprehending the perpetrators. Nintendo should apply innovation on Wii processors so as to impart them with an ability to sense pirated software. There is also need to liaise with the respective government authorities so that databases with pirated Wii software can be blocked, deleted or even shut down. Gaming advertisement campaigns should be used in the fight against piracy. Wii should integrate gaming with education and lifestyle. This may be done by using the technological approach of the highly qualified personnel and consumers who have the ability to come up with gaming programs by use of various advanced languages and platforms. This should also include fitness in which gamers shall actively involve in activities that will help them achieve healthy lifestyles.

Conclusion

As a leader in gaming technology, Nintendo has had a fruitful decade following the launch of the company's signature Wii console. Competitive forces that corporate organizations face force them to come up with better products thereby streamlining competition through creativity and innovation. The gaming industry is blamed for evils here and there thus Nintendo has had a hard time convincing its customers on the viability of the Wii products, both as a tool of fitness and educational aid. In the future Nintendo might have to integrate more of these in its gaming platform in order to gain undisputable market popularity. As a market leader, Nintendo may also have to embrace technology in the fight against piracy in order to reduce evil that arises from piracy.

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