NINTENDO VS ITS COMPETITORS IN MARKETING EFFORTS

From the point of view of customers

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Nintendo, the oldest company in the gaming console market, has currently lost its leading position in the industry, and the reason could be its marketing strategy. This research was conducted in order to study the perceptions of customers about marketing efforts of Nintendo and its main competitors, Sony and Microsoft. If Nintendo’s marketing efforts are deemed inferior by customers, the thesis would also attempt to figure out new paths that the company can take in order to improve the customers’ opinions and the effectiveness of their marketing activities.

The research was completed based on two sources, reviewing academic papers written on past marketing strategies of the three companies and conducting a survey targeting console gamers in particular in order to find out how they judge Nintendo’s and its rivals’ marketing activities. The literature review presented a brief summary of the factors that contributed to Nintendo’s, as well as Sony PlayStation’s and Microsoft Xbox’s, previous successes. Meanwhile, the survey discovered that customers of Nintendo rated their marketing activities as less accurate and influential than those of Sony PlayStation’s; however, the difference was small and can easily be overcome. A more concerning issue was the fact that customers in general exhibit marketing-resistant behaviors, and many have been attracted to other gaming platforms.

Consequently, it is suggested that Nintendo modify its current marketing strategies to combat the customers’ anti-marketing attitude, as well as improve the efficiency of its marketing activities. Specifically, social proof marketing and identity-based marketing, as well as a joint marketing campaign with Sony, Nintendo’s archrival, are the solutions that were recommended.

Key words: Nintendo, marketing, game consoles, customers

Language: English

Grade:
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I. Introduction

“Fools who don’t respect the past are doomed to repeat it”

- Eiichiro Oda, One Piece

1. BACKGROUND

Through his characters in the world-renown series One Piece, Eiichiro Oda had expressed several of his own views on the world, including the above quote, which warns how history can serve as a cautionary tale. And for a company with an extensive past as Nintendo, the history is capable of providing many insights. As one of the earliest players in the game console industry in particular, and in the gaming industry in general, Nintendo has become somewhat of a household name when it comes to this source of entertainment. Dubbed as an “industry disruptor”, the products of this company and their innovative nature has not only pushed forward the industry in many occasions, but are also said to be responsible for the industry’s survival to this date. The influence that Nintendo has on the development of both games and game consoles is enormous and recognizable (Trautman, 2014).

2. RESEARCH PROBLEM:

Riding on their long history, Nintendo continues to push out products that strive to satisfy the expectations of their loyal fans and of potential new customers. Recently, the world was taken by surprise when their newest product, Nintendo Switch, hit the market as the first hybrid of a home console system that can also double as a handheld console (Pham, 2016). Despite this current success, the name of Nintendo is still suffering from the stain of their biggest flop of all time, the Wii U (released in November 2012), and they seem to struggle to maintain their position as a console producer in the Western market. Quite often, the debate of the best gaming consoles revolves around Sony Playstation and Microsoft Xbox, leaving out the oldest and most influential player (Sidhu, 2010).

Therefore, this thesis aims to figure out whether or not Nintendo’s marketing strategies are perceived as inferior by consumers, compared to those of their competitors, which may have cost them their standing in the Western market.

3. RESEARCH QUESTIONS AND OBJECTIVES:

The thesis aims to answer the following questions:

▪ How do customers react to marketing efforts of Nintendo and its competitors?
▪ How well do Nintendo’s marketing efforts perform, as opposed to those of its competitors?
▪ What are possible improvements for Nintendo in terms of marketing strategies?
Based on the aforementioned objectives, I have devised these objectives for the thesis below:

- To figure out the customers’ reaction to Nintendo’s and its competitors’ marketing efforts
- To find out the efficiency of Nintendo’s and its competitor’s current marketing efforts, from the point of view of customers
- To devise possible implementations for Nintendo’s future marketing plans

4. THE GAMING HISTORY OF NINTENDO, SONY AND MICROSOFT:

4.1 Nintendo:

Nintendo is the focus of this thesis, as well as one of the most influential producers of gaming consoles and video games in the world.

Despite the fact that its name had, at one point, became nearly synonymous with video games (Kline et al., 2003), the company had not started as a video game company. In September 23 1889, Fusajiro Yamauchi founded Nintendo, then Nintendo Koppai, in Kyoto, Japan, as a manufacturer of hanafuda, Japanese playing cards (Kohler, 2010). Though the company flourished in the industry, it was under its third president, Hiroshi Yamauchi (the grandson of Nintendo’s original founder), that Nintendo experiences its fastest and most drastic growth into the multinational conglomerate it is known as today.

Nearly eight decades after its foundation, Yamauchi decided to turn the company away from the playing card industry and entered the toy industry, in which it was forced to compete with more powerful rivals, such as Bandai (a toy company founded in 1950), and Tomy (a toy producer founded in 1924). Because of the tough level of competition, the company moved onto the family entertainment market in 1973, producing light gun machines for the growing gaming arcade industry. However, Nintendo couldn’t afford the costs of maintaining its ranges of light gun machines, and had to be shut down.

In 1974, the president Hiroshi Yamauchi decided to utilize the technological advances for entertainment purposes in the U.S., and thus he obtained the license to sell Magnavox Odyssey, a game console manufactured by Magnavox (an American electronics company now owned by Phillips). In addition, seeing as the arcade industry in the U.S. was beginning to emerge, he decided to expand Nintendo to this new continent. However, the company only achieved immense success in the American market after the release of Donkey Kong in 1981.

Riding on its initial success, in 1983, Nintendo released its first home gaming console system, named the Family Computer (Famicom) in its domestic market, which quickly became popular with Japanese consumers. Two years later, in 1985, the same system, now renamed Nintendo Entertainment System (NES), was released in the U.S. by
Nintendo of America (NOA), in the aftermath of the infamous Crash of the gaming industry in the American market. In fact, the launch of the NES has been credited to revive and launch the American gaming industry into a new age, as well as Nintendo's new reign over the market worldwide, which would continue for decades.

Until this day, Nintendo remained an influential player in the global gaming industry through its many innovations and creative incorporation of new technological advances into gaming. Some of its most renowned products include the Nintendo Wii (2006), which was the first home console system to use motion detection technology in its controller; and Nintendo Switch (2017), the world’s first hybrid system which can be used both as a home console system as well as a portable console.

**4.2. Sony:**

Although they are both Japanese multinational conglomerates, Sony and Nintendo could not be more different from each other. While Nintendo has dedicated its entire function to producing and commercializing gaming consoles, Sony has a more diverse business portfolio, providing products ranging from consumer and professional electronics, video games, entertainment and financial services.

Sony first began as Tokyo Tsushin Kogyo Kabushiki Kaisha (Tokyo Telecommunications Engineering Corporation), established by Masaru Ibuka in 1946, in a war-torn Tokyo. The new company’s president was Ibuka’s father-in-law, Tamon Maeda, while its Managing Director was Ibuka’s friend Akio Morita. Though the small company struggled to make ends meet, they managed to construct Japan’s first tape recorder, named the G-type, which was meant for institutional use, and the H-type, the first commercial tape recorder. Then, after seeing the initial success of tape recorders in Japanese homes, Ibuka was determined to expand his market to foreign countries, starting with the U.S. For the purpose of expansion, Ibuka and Morita renamed the company Sony.

And it was also Akio Morita who established Sony Corporation of America in 1960, beginning the company’s venture into the American market. Sony’s high quality products had an important role in Japan’s ascension to a major exporter in the following decades, as well as improving the image of “made in Japan” products in the eyes of American consumers. However, just as many other large companies often do, Sony has gone through several spells of ups and downs, especially its continued troubles during mid-2000s till present. Still, the conglomerate remains as a leading producer of consumer and professional electronic products.

Sony’s first entrance into the gaming industry came from a failed cooperation with Nintendo. The latter approached the electronics company with a proposal to create an add-on for Nintendo’s console, the Super Nintendo Entertainment System (SNES) that
would allow it to operate Compact Discs (CDs). However, the two companies could not reach an agreement on licensing rights, and the brief partnership fell out. Sony then developed the new software by themselves, and released the first PlayStation in 1994. Upon its launch, the console obtained 61% of the global market share, and interrupted Nintendo’s near monopoly over the market. Sony continued to enjoy notable successes with its line of PlayStation home console system, and moved on to permeate into the portable console market with PlayStation Portable in 2005, and PlayStation Vita in 2011 and 2012. However, both portable consoles have yet to overcome Nintendo’s own lines of portable consoles. Sony’s strongest advantage over its competitors continues to be its home consoles. More recently, Sony has gained a lead in the virtual reality patent competition, with the global launch of PlayStation VR in 2016.

4.3. Microsoft:
The success story of Microsoft is perhaps more popular and familiar with the general public. Microsoft Corporation is an American multinational technology company, founded by Paul Allen and Bill Gates in 1975, making it the youngest company among the three top producers of gaming consoles. At its foundation, Microsoft’s purpose was to produce and handle BASIC interpreters, but soon emerged as a new leader in the personal computer operating system market in the mid-1980s with Microsoft Disk Operating System (MS-DOS), and later the Microsoft Windows. Thus, when Microsoft stock went public in 1986, three billionaires and thousands of millionaires had been created by 2005 (Weinberger, 2017). To this day, although Microsoft no longer dominates the overall operating system market, having lost the position to Android (Keizer, 2014), the company is still the main producer of IBM PC-compatible operating system and office software suite.

In accordance to its relatively short history, especially in comparison to the 129-year-old Nintendo, Microsoft also entered the gaming console market late with the launch of Xbox in 2001. Microsoft then gained an advantage by complementing Xbox Live, an online service integrated in Xbox, in 2002, and was able to win over the gaming online service market with superior servers and features, despite requiring a subscription fee. The Xbox generations that follow fail to make a notable impression on the market, especially when they have to compete against strong rivals such as the Nintendo Wii (in the same generation as Xbox 360), and PlayStation 4 (in the same generation as Xbox One). Moreover, despite performing well in the American and European markets, Xbox struggles to survive in Asia (Bhagat, 2016), where Nintendo and Sony seem to have the upper-hand in the segment of gaming console.
II. Literature Review:

1. INTRODUCTION:
The purpose of this literature review is to summarize academic materials relevant to the subject, and to provide a basis for the thesis to look at the marketing strategies that Nintendo have employed. The literature review is comprised of three parts: Part 1 would look at what has been written about the history of the gaming industry; Part 2 would discuss the materials that have been written about Nintendo’s strategies and those of Sony’s and Microsoft’s; Part 4 would summarize some marketing strategies that are relevant to the three companies and the industry.

2. THE HISTORY:

Before I can look at Nintendo’s current status in the industry of gaming systems, it is important to first consider the short, yet eventful, history of the industry itself, in which Nintendo played no small part. Dillon (2011) divided the history of the industry into three eras: the Early Age (1947-1976), the Golden Age (1977-1993), and the Modern Age (1994-present).

2.1 The Early Age (1947-1976):

In a chronological order, Dillon (2011) documented important milestones that were crucial to the formation of the gaming and gaming systems industry, as well as the key figures who had had significant contributions to said formation. At this time, Nintendo was yet to enter this new market, as the stage was set in the United States, especially during the time period of 1962-1972.

In Japan:

Following the initial invention of video games and gaming systems, the industry soon exploded, with a multitude of new players entering a market that was once sparsely populated. Among them were Japanese companies, who came from a country where arcade games had quickly become popular (Dillon, 2011). Although Dillon dedicated a specific section in his book to document Nintendo’s and other Japanese companies’ entries and their influence on the market, the socioeconomic context and environment of Japan that allowed the establishment of the domestic video game industry were further discussed in Picard (2013). Picard (2013) argued that the rapid growth of games in Japan was due largely to the post-war economic development of Japan, which saw the successes of many relevant industries that allowed video games and gaming systems, imported from the U.S., to be quickly adopted and improved on. First, the leisure boom in Japan (Linhart, 2009 cited in Picard, 2013) and the sudden boom in mass consumption were credited for the success of arcade games in Japan, which marked the birth of the video game industry in Japan (1973-1983). At around the same time, Japanese companies in consumer electronics, toys and television manufacturing
markets became involved, and started building the new home video game market. Nintendo, through its alliance with Magnavox, a pioneer in the U.S., was able to gain insights on the North American market, and acquired an important role in the birth of the Japanese counterpart (Picard, 2013).

2.2 The Golden Age (1977-1993):

When the new markets were formed and grew quickly in the Japan, the North American counterparts entered its Golden Age. Strong contenders in the U.S., like Atari, Mattel and Commodore, competed rigorously with each other by continuously pumping out new models of their products. The stream of new games and gaming consoles even resulted in video game addiction in many countries, forming the prejudice against games which would last even to the present. Dillon (2011) presented this entire saga in the form of a timeline in his book, which detailed the activities of the main competitors during the most active and successful age of video games.

Figure 1: Programmable console systems released during the Golden Age before 1983 (Ernkvist, 2006)

<table>
<thead>
<tr>
<th>Company</th>
<th>Name</th>
<th>Nationality</th>
<th>Year introduced</th>
<th>Number of games produced</th>
<th>Games developed until</th>
<th>Number of units sold (million)</th>
<th>Companies other divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairchild</td>
<td>Channel F</td>
<td>USA</td>
<td>1976</td>
<td>26</td>
<td>1979</td>
<td></td>
<td>Integrated circuits, Amusement machines, gambling machines</td>
</tr>
<tr>
<td>Bally</td>
<td>Astrocade</td>
<td>USA</td>
<td>1976</td>
<td>50</td>
<td>1983</td>
<td></td>
<td>Arcade games, home computers, Plastic products, leather articles</td>
</tr>
<tr>
<td>Atari</td>
<td>VCS/2600</td>
<td>USA</td>
<td>1977</td>
<td>500</td>
<td>1992</td>
<td>30</td>
<td>Family business making hearing aids</td>
</tr>
<tr>
<td>Coleco</td>
<td>Telstar Arcade</td>
<td>USA</td>
<td>1977</td>
<td>4</td>
<td>N/A</td>
<td></td>
<td>Plastic products, leather articles</td>
</tr>
<tr>
<td>RCA</td>
<td>Studio II</td>
<td>USA</td>
<td>1977</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td>Radio, TV</td>
</tr>
<tr>
<td>Interton</td>
<td>VC-4000</td>
<td>Germany</td>
<td>1978</td>
<td>40</td>
<td>1982</td>
<td></td>
<td>Family business making hearing aids</td>
</tr>
<tr>
<td>Magnavox (US subsidiary of Philips)</td>
<td>G7000</td>
<td>USA/Holland</td>
<td>1978</td>
<td>50</td>
<td>1984</td>
<td>2 TV manufacturer</td>
<td></td>
</tr>
<tr>
<td>APF</td>
<td>M1000</td>
<td>USA</td>
<td>1978</td>
<td>12</td>
<td>1978</td>
<td></td>
<td>Stereos, calculators</td>
</tr>
<tr>
<td>Mattel</td>
<td>Intellivision</td>
<td>USA</td>
<td>1980</td>
<td>125</td>
<td>1990</td>
<td>3 Toymakers</td>
<td></td>
</tr>
<tr>
<td>GCE/Milton on Brady</td>
<td>Vectrex</td>
<td>USA</td>
<td>1982</td>
<td>25</td>
<td>1985</td>
<td></td>
<td>MB:Toys</td>
</tr>
<tr>
<td>Coleco (CBS)</td>
<td>Colecvision</td>
<td>USA</td>
<td>1982</td>
<td>100</td>
<td>1985</td>
<td>4 Plastic products, leather articles</td>
<td></td>
</tr>
<tr>
<td>Entex</td>
<td>Adventure Vision</td>
<td>USA</td>
<td>1982</td>
<td>4</td>
<td>1982</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>Emerson Radio corp 2001</td>
<td>Arcadia</td>
<td>USA</td>
<td>1982</td>
<td>35</td>
<td>N/A</td>
<td></td>
<td>Radio, TV</td>
</tr>
<tr>
<td>Haninex</td>
<td>HMG 2650</td>
<td>Asia</td>
<td>1982</td>
<td>30</td>
<td>1983</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atari</td>
<td>5200</td>
<td>USA</td>
<td>1982</td>
<td>70</td>
<td>1986</td>
<td></td>
<td>Arcade games, home computers</td>
</tr>
</tbody>
</table>


However, it is notable that during this period, most of the innovations came from Japanese companies (Konami, Namco, etc.), who were more competitive than their American counterparts.
The Crash (1983):

One cannot discuss the Golden Age of video games, or the influence of Nintendo on the development of the industry, without mentioning the crash of the North American industry in 1983. The crash came after what was an incredibly profitable year for the video game industry in the United States. Yet came 1983, and “Video games were officially dead and computers were hot” (Gutman, 1987: 64). The crash resulted in bankruptcies of various companies (Ernkvist, 2006) and the infamous dumping of 14 truckloads of game cartridges and other electronic parts, including joysticks, in Alamogordo, New Mexico by Atari (Dillon, 2011; Trautman, 2014). Literature surrounding the iconic crash often attributed the event to several similar reasons: public perception, over-saturation and low-quality games, transition to a new generation, home computer’s introduction, major games’ poor performances in the market, Atari’s mismanagement, etc. (Ernkvist, 2006; Dillon, 2011). However, while Dillon (2011) focused on exploring the circumstances of these reasons in detail, Ernkvist (2006) proposed that the crash of video games in 1983, though iconic, was by no means an isolated incident. In fact, the early video game industry was riddled with crashes and/or shake-outs. Furthermore, he argued that there is a consistent system of factors that brought about the crashes in the industry, which he named the “3D: (1) Disruptive technologies; (2) Delimited differentiation; and (3) Decreased entry barriers and destructive liabilities of newness and smallness” (Ernkvist, 2006: 165).

Regardless, the Video Game Crash of 1983 is widely acknowledged as an important and necessary event in the history of the industry, although its effects were mainly felt in the North American market only, and not so much in the European and Japanese markets (Ernkvist, 2006; Dillon, 2011).

Nintendo the Savior:

Among the debris left by the crash, entered Nintendo. In 1985, Nintendo’s American branch released its console system that had already succeeded in Japan, the Famicom, under a different name, the Nintendo Entertainment System (NES), into the dangerous market of the U.S.A. Although Nintendo’s decision to enter the American market on their own was to compete directly with a weakened Atari for the throne of the industry, their entrance with the NES was a refreshing wind of salvation for the industry itself, and bore significant importance on its history (Ernkvist, 2006; Trautman, 2011; Picard, 2013).

However, it wasn’t just the NES that had a positive influence on the market, but also Nintendo’s strategies as they ventured into a new market in a sensitive environment that was almost hostile (Picard, 2013). The product itself was also undoubtedly innovative, as the NES was sold with a small robot, Robot Operating Buddy (ROB),
and a light gun (Dillon, 2011). In other words, it can be said that while Nintendo might have had no intention to “save” the video games industry in North America, their success was a positive influence, and set up new standards that not only revived, but also changed the industry forever (Dillon, 2011; Kline et al., 2003 cited in Picard, 2013).

2.3. The Modern Age (1994-present):
After recovering from the crash, the video game industry quickly regained its momentum and moved on to the Modern Age. Upon reviving the industry, Nintendo assumed the “throne”, and remained so for most of the eighties and the beginning of the nineties, although new players entered the arena and challenged its position (Trautman, 2013). Computers had now became more popular as an entertainment platform, and posed an even greater threat to video games (Dillon, 2011). Many of Nintendo’s products continued to influence the video games industry, such as the Game Boy (released in 1989) and its successors, the Game Boy Advance (2001) and Nintendo DS (2005) (Ernkvist, 2006; Reynolds, 2016). Most recently, while the video game industry remains crowded, the video game console industry has eliminated a majority of players, with only three major producers remain standing: Nintendo, Sony and Microsoft (Hollensen, 2013).

3. THE BIG THREE:
1. Nintendo (1889-present):
Nintendo was among the four entertainment companies at the time that basically founded the Japanese video game industry, as aforementioned (the other three were Sega, Taito, and Namco) (Picard, 2013). Much has been written about Nintendo’s influence on the industry, but in this section, the focus would be on materials written about Nintendo’s strategies, and more specifically those concerning marketing. More specifically, the focus is on Nintendo’s two most successful marketing campaigns, the launch of the NES and the launch of Nintendo Wii. This section, however, would not cover Nintendo’s newest global hit, that is the Nintendo Switch, because not enough time has been passed for there to be extensive academic research on the strategies.

The Launch of the NES:
When discussing Nintendo’s role as the “savior” the previous section, there was a brief mention about strategies employed by the company when they entered the U.S. market during the aftermath of the 1983 Crash. To support the commercialization of the product, Nintendo employed a “razor and razor-blade” business model, choosing to make more profits on software rather than hardware, as well as an efficient system of production and consumption (Picard, 2013).
Moreover, Nintendo launched a carefully crafted marketing campaign whose main purpose was to sell the brand of the company as a “family-oriented entertainment
industry” (Kline et al., 2003 cited in Picard 2013). In doing so, the company could take advantage of “pester power” as much as possible; while its key customer segment was still children, the company also aimed to present the NES as more attractive to adults, who held the most consumption power, by including “mature” games (Picard, 2013). In addition, Nintendo set up a support structure to build up the brand’s reputation, such as “in-store ‘World of Nintendo’ merchandising displays; sponsored video game competitions; established cosponsorships and cross-licensing arrangements with [multinationals]; and set up a network of over 250 fan clubs” (Sheff, 1999, cited in Picard, 2013). Eventually, Nintendo managed to cultivate an entire “Famicom culture”, as a large number of video game magazines dedicated to the Famicom and its games, were founded, and some of which still operate until this day (Nintendo Dream, Famitsu, etc.) (Picard, 2013). The publishing industry in Japan also saw the births of two new highly profitable markets, kouryakubon (guide book) and urawaza (secret trick), both of which still take up a lot of space in bookstores today (Picard, 2013). Soon, the kouryakubon market was also translated and exported to the American industry.

In other words, for the NES’ entrance into the U.S. market, Nintendo launched a large and strategically designed marketing campaign, with both the target segment and the paying segment in mind, as well as a system of brand building activities that even created a sub-culture dedicated to the product and established new markets in a different industry that was concentrated on the product.

**The Launch of Nintendo Wii:**

If Nintendo established a sub-culture for the NES, the company aimed to build a new way of playing games with Nintendo Wii. Specifically, to accompany its ground-breaking and innovative home console system, Nintendo attempted to create a Blue Ocean, in order to once again disrupt the video game industry (Hollensen, 2013). A Blue Ocean is a generally obscure market in which products have yet to be clearly defined and competitors are not yet structured. To compete in a Blue Ocean, a company needs to prioritize innovations that can set itself apart, or giving it indisputable competitive advantages (Kim & Mauborgne, 2005 cited in Hollensen, 2013). In Nintendo Wii’s case, the author illustrated all competitive factors in the below strategy canvas.
Nintendo’s marketing strategy for the Wii included its naming, just as the company did for the NES. The word “Wii” sounded similar to “we”, which indicated the console’s unique sharing characteristic (Carless, 2006 cited in Hollensen, 2013). Unlike its contemporary competitors Microsoft and Sony, Nintendo stayed away from the race to the best graphics, and instead relied on its knowledge of customers and potential customers, and pushed for an image that was, at the time, strange for the industry: playing games with the entire family (Pontiskoski & Asakawa, 2009). The result was that instead of merely introducing a new console system, Nintendo’s launch campaign achieved a “socio-cultural invention” (Pontiskoski & Asakawa, 2009: 373). Thus, despite its relatively underpowered consoles when compared with those of Sony and Microsoft, Nintendo continued to maintain its position in the industry (Wesley & Barczak, 2010).

2. Sony (1946-present):

After a failed collaboration with Nintendo (which Nintendo ended), Sony entered the industry with their own game console system, the Playstation (Dillon, 2011). The company has a clear target customer segment, and most of their marketing efforts have been spent on appealing to said segment, which is male gamers from 14 to 30 years old (Brightman, 2012 cited in Hollensen, 2013). Moreover, Sony tries to enhance Playstation’s image, as a brand, to be more “mature” than its competitors, by advertising in magazines whose main readers are more likely to be young adults and adults (Wansink, 2000).

If Nintendo’s driving force is its long history of innovation in the industry, Sony draws strength from a series of strategic decisions, even if luck played no small part in its success (Alvisi et al., 2003). The authors analyzed PlayStation’s relatively short history
and argued that unlike Nintendo, whose certain decisions largely impacted the company’s destiny, Sony’s success with the PlayStation was due to “many elements – sometimes small and secondary accidents – interplayed with and reinforced each other to produce the final outcome” (Alvisi et al., 2003: 623).

3. **Microsoft (1975-present):**
Microsoft is the youngest company among the three, and also the company that entered the industry the latest, with the release of Xbox in 2001. However, Microsoft’s competitive advantage lies in its decision to build the console out of standard PC parts, which means that games could be built simultaneously for both the Xbox and computers. Thus, Microsoft could compete in two fronts at the same time, while its main competitors could only focus on one (Wesley & Barczak, 2010). In addition, Microsoft ventured into a relatively virgin land at the time: incorporating online gaming with game consoles. The company managed to coincide the launch of Xbox Live with the boom in broadband Internet in the U.S., allowing it to take a leap ahead of its competitors in regards of online services (Wesley & Barczak, 2010).
A minor problem for Microsoft was that its main market segment was the same as that of Sony, which was male gamers from the age of 18 to 35, whose favorite genres were “military-style games, sports games, science fiction/fantasy adventures and first-person shooters” (Wesley & Barczak, 2010: 74). However, Microsoft could continue to set it apart from Sony Playstation with its lead in online service, for as long as Xbox Live is the center of Microsoft’s strategies (Wesley & Barczak, 2010). Moreover, Microsoft’s main market is still the U.S., avoiding the more competitive Japan, the home ground of its two gigantic competitors (Hollensen, 2013).

3. **MARKETING THEORIES IN THE VIDEO GAME INDUSTRY:**

4. **Brand Strategy:**
Brands have increasingly become more important to economies in the 21st century. Thus, academic literature surrounding brands have significantly increased, with new concepts and measures being proposed (Abimbola, 2010). The author proposes that successful firms have concentrated on “the perceptual sophistication of their brands (including their corporate and product brands) as a platform for engaging, communicating and developing new offerings using tangible and intangible aspects of their brands as launch pads.” (Abimbola, 2010: 179). In a new era that put customer in the center, the strategy is becoming more relevant, as brands are the means of communication between firms and customers. The author emphasizes the importance of brand strategy with the examples of Apple and Nintendo Wii, both having successfully established their own brands which allowed them to stay ahead of competition for a long period of time.
5. Identity-based Marketing:
Alsem and Kostelijk (2008) argues that the existing marketing paradigm is more skewed towards the demand side of the market, that is the customers, and suggests that such paradigm is not balanced in its dealing with both demand and supply. Therefore, the authors propose to add the concept of brand identity into the existing paradigm, so that there is more of a balance between customer and brand thinking. The authors study secondary research and provide insights into the discrepancies between the marketing paradigm, which is customer-centric, and marketing strategies that consider both sides of the market. Then, using the qualitative research method, the authors propose identity based marketing, the new and more balanced paradigm by bringing the paradigm and strategy together. The article concludes that the addition of branding to the highest level of the marketing theory hierarchy has a vital influence on marketing practice and encourages more research on the relation between, or the changes in, brand identity and customer perceptions and needs.

The article provides a concise summary of a marketing paradigm that lays a background of understanding modern marketing practices of successful companies and their brands. Based on this understanding, marketing strategies of Nintendo and its competitors can be evaluated. For the purpose of this thesis, the article would serve primarily as a source for literature review.

6. Technology-based Marketing (TBM):
Because the video game and gaming system industry is relatively high-tech, new competitive approaches that involve technology, like technology-based marketing, may be relevant. Karin and Eiferman (2006) propose that because competition has become more complicated and vigorous, technology should also be considered as a source of competitive advantages.

The TBM approach aim to leverage on three types of technology: product, production and management. The strategy can be implemented in order to increase the technology’s exposure to customers, however its purposes can only be helpful in industries whereas public reception of technology has yet to be positive, and customer’s expectations of technology are still low. Therefore, there needs to be a clear understanding of the industry, as well as the existent competition, before deciding to implement the TBM approach (Karin & Eiferman, 2006).

The approach suggested by this article serves as a basis to compare with the marketing approaches already employed by Nintendo, Sony and Microsoft. If they have already implemented a similar approach, the article can provide a means of measurement for the effectiveness of such approach.
7. Value Creation Framework:
Marchand & Hennig-Thurau, 2013 offers a conceptual framework that demonstrates the roles of the robust video game industry, as well as its crucial players and products. The framework is presented in Figure 3.

![Figure 3. Conceptual Framework of Value Creation (Marchand & Hennig-Thurau, 2013)](image)

The authors introduce the framework as a means to examine the state of research in games, as well as recognizing challenges and opportunities within the industry. For the purpose of this thesis, the framework provides a basis to

4. APPLICATION:

8. The History:
Robert Penn Warren (1961) said, “History cannot give us a program for the future, but it can give us a fuller understanding of ourselves, and of our human community” (p.100). While the history of the video game industry can hardly provide any implications for the understanding of “our human community”, it is helpful in outlining a sketch that portrays the positionings of Nintendo and its two main competitors that are discussed in the thesis. Moreover, in order to analyze the three companies, it is also important to understand the nature of the market in which they operate, which would not be possible without studying its history. The materials studied for the first part of this literature review (excluding the Introduction) provided a brief summary of the important events that shaped the industry, as well as the circumstances and driving forces behind said events. These elements would be kept in mind when answering the research questions.
9. The Big Three:
In this part, successful strategies that have been employed by the three companies are studied and summarized, for the purpose of reference. Similar to The History, this part helps to provide an understanding of the companies’ “profiles”, which should be considered when answering the research questions in the body of the thesis. Moreover, Nintendo’s success stories could also give insight into what had gone wrong with its more catastrophic campaigns.

10. Marketing Theories in the Video Game Industry:
The theories that are summarized in this part are relevant to the video game industry, and may be applicable for Nintendo. They, along with the value creation conceptual framework, would serve as a basis of knowledge for the purpose of answering the research questions.

11. Conclusion:
The literature review has looked at the history of the video game and video game console industry from the academic point of view, with summarized analysis of the driving forces behind important landmarks of the industry, some of which have been caused by Nintendo, the company in focus. In addition, the literature review also considers the strategies that have been previously employed by Nintendo and its two main competitors in the race of video game consoles, as well as relevant marketing strategies in the industry. Any implications that can be drawn from the materials studied in this review may provide points of reference for the thesis, particularly for answering the question of whether or not marketing is currently the Achilles heel for Nintendo.

III. Methodology:
While there has been quite an amount of research papers done on the levels of competitiveness of the three console producers, few of them look at the preferences of customers to these consoles, and what factors influence them towards purchasing one console and not the others. Thus, in this thesis, a survey named “Gaming Preferences” is conducted, asking anyone who identifies as a gamer reveal their preferences in gaming platforms, gaming devices, as well as the gaming consoles that they currently, or previously own. For gamers who own or used to own consoles, the survey asks for the methods of advertising through which they were exposed to the consoles, what information was conveyed through said methods, how accurate such information was, and how satisfied they were with the consoles they purchased. In addition, they are asked to identify the most important factors to them when considering a console, as well as what information they would like to be available through marketing activities, how much influence marketing activities have on their decision, and what they would like to see in marketing activities. Although the survey was tailored to favor
respondents who are consumers of gaming consoles, it also has questions for gamers of other platforms, such as whether or not they have one or more favorite game studios, and if their attachment (or the lack thereof) to one or more game studios affect their choice of favorite platform.

The survey was posted to the Facebook group of Aalto students, Reddit subthreads, chatting rooms of online gamer guilds (using Line in particular), as well as personal messages and emails to several individuals.

In addition to the survey, the thesis is also based on the revision and analysis of several academic papers written about the strategies and performance of Nintendo, Sony PlayStation and Microsoft Xbox. Such materials have been covered extensively in the previous section.

IV. Findings:

This section provides a report of the responses to the survey described in Section III. At the point of writing, the survey has been responded by 136 people, of which one respondent’s result needs to be excluded from the final report due to not fulfilling the requirements of having played video games recently. Below are the demographics of the respondents.

1. DEMOGRAPHICS:

First, Figure 4 demonstrates the genders of all gamer respondents.

As can be seen from Figure 4, the majority of respondents is male, taking up 59.42%. Female respondents are 36.23%, and a small percent of respondents is either non-binary or would rather not reveal their gender. The percentage of genders among respondents seems to fit with the stereotype that the gaming market is still dominated by male consumers.
Figure 5 presents the nationalities of all respondents who were gamers.

![Bar chart showing nationalities of gamer respondents](chart1.png)

The survey was able to collect answers from a wide variety of nationalities, although they are still skewed towards Vietnamese and Finnish respondents, due to one of the environment in which the survey was distributed. However, among respondents, there were more Americans than any other nationalities.

2. **FAVORITE GAMING PLATFORMS:**

Figure 6 reports on the respondents’ responses to the inquiry about their favorite gaming platforms.

![Pie chart showing gaming platforms preferences](chart2.png)
It can be inferred from Figure 6 that computer is the most popular gaming platform among all respondents, followed by home console system, then mobile phone, portable console system and finally hybrid.

2.1. Gender:
An interesting pattern appears here, if respondents whose favorite gaming platform is not any form of console systems are taken out, the percentage male and female respondents even out, 51% and 49% respectively. It can be inferred that female gamers are more likely to remain loyal to consoles as a gaming platform than their male counterparts.

As apparent in Figure 8, more male gamers favor computer than female gamers, although more female gamers favor mobile phone than their male counterparts.

2.2. Nationality:
When considering only respondents who favor console systems, Figure 9 demonstrates that Western countries dominate the list of nationalities, with few Asian gamers naming console systems as their favored platform.

3. FAVORITE DEVICES:
After having chosen console systems as their favorite platform, respondents are then asked to choose their favorite gaming devices among the most popular and well-known consoles released by Nintendo, Sony and Microsoft. Figure 10 captures their responses.

The most popular device among those surveyed is the PlayStation 4, with the second most popular being the Nintendo Switch. The other devices listed include PlayStation 3 and 3DS, and is the third and fourth favorite, respectively with Xbox One being the least popular.

In addition, PlayStation 4 and Nintendo Switch are equally popular for both male and female gamers (as shown in Figure 8), while only female gamers surveyed chose Xbox One and PlayStation 3 as their favorites.

Finally, all Asian console gamers chose PlayStation 4 as their favorite, while Western console gamers had a more diverse taste, although most favored PlayStation 4 as well, as can be seen from Figure 11 and Figure 12. Some respondents chose Nintendo 3DS and PlayStation 3 as their favorite gaming devices, however their numbers are too small to warrant a chart.
Figure 11. Respondents who chose PlayStation 4 as favorite device by countries of origin

Figure 12. Respondents who chose Nintendo Switch as favorite device by countries of origin

4. MARKETING COMMUNICATIONS:
Respondents were also asked to identify marketing communications through which they learned about gaming consoles that they would purchase later. Below are their responses.
Figure 13 shows that online advertising is the most effective method of marketing communications, with most other types of communication being equally effective with each other. Secondary marketing communications such as word of mouth and online websites also seem quite important in reaching new potential customers.

5. MARKETING INFORMATION:
Respondents are also asked to recall the aforementioned marketing communications, and identified which information they deemed most influential to their decision of purchasing gaming consoles. Respondents were asked to identify all answers that applied to them, however; therefore Figure 14 does not represent a scale, and merely present the frequency with which the below information is deemed as influential.
Figure 14. Times the marketing information are deemed influential

In Figure 14, the blue line represents how many respondents recall having seen these information through marketing communications, while the orange line stands for the number of respondents who consider such information the most important factor to them when considering a purchase.

From Figure 14, it can be inferred that most potential consumers pay attention to exclusive games of the devices they are considering, as well as their prices. Other factors are rarely considered as most important, and are less remembered of when consumers are asked to recall.

Respondents are later asked to name, among the above factors, only one marketing information as the most important information to their decision of purchasing. Their responses are summarized in Figure 15.
6. **NINTENDO VS. SONY VS. MICROSOFT:**

In order to identify which companies the respondents purchase from, they were asked to list all game consoles they currently or previously owned. The results are also utilized as categories for other sections.

Figure 15. Most important factor to gamer respondents’ purchasing decisions

![Pie chart showing the most important factors to gamer respondents' purchasing decisions.](chart.png)

- **General performance**: 68%
- **Price**: 8%
- **Functions**: 4%
- **Physical appearance**: 4%
- **Exclusive games**: 4%
- **Popularity**: 4%
- **Others**: 4%

Figure 16. Customers of game console producers

Figure 16 is not built on the number of consoles that customers have purchased from each companies, but rather the numbers of respondents who own, or used to own, game consoles from the three companies. There is a surprisingly large number of respondents who have owned game consoles from more than one producer at the same time (48% of total respondents own both Nintendo and Sony consoles).
7. EFFICIENCY OF MARKETING COMMUNICATIONS:

One of the final questions of the survey requires respondents to rate how influential marketing communications are to their decision of purchasing gaming consoles. The scale is from 1 to 5, with 1 being not very influential and 5 being very influential. To better understand them, the responses have been divided into three different categories, one for each company, based on the respondents’ answers to which console they currently or previously owned. The purpose of this section is to understand how customers of Nintendo perceive their marketing efforts, as opposed to customers of other companies perceive their marketing efforts.

As previously mentioned, a majority of respondents own consoles from more than one producers at the same time. Therefore, for the purpose of this section, respondents are categorized based on the brand of the game console that was released the latest. In particular, if a respondent owns a Nintendo 3DS and a PlayStation 4, they are classified as a Sony customer. The reasoning behind this is because the survey question asked the respondents to recall the latest marketing activities they were exposed to. Therefore, it is presumably more accurate to assume that the marketing activities they referred to belong to the brand of the newest consoles that respondents own, or used to own. Although the intention was to compare Nintendo’s marketing activities with those of Sony’s and Microsoft’s, there were not enough responses from those who own Xbox consoles to create a sample size. Because of that, the comparisons can only be made between Nintendo and Sony. Some replies were also omitted randomly in order to even the sample sizes.

The efficiency of marketing activities is decided based on both their levels of accuracy and influence, from the perspective of the customers. In either category, both sets of data, from Nintendo and Sony customers, go through a t-test in order to determine whether there is a noticeable difference between the means.

For the level of accuracy, there was a difference in the scores of Sony’s customers (M = 3.9; SD = 0.99), and Nintendo’s customers (M = 3.5; SD = 0.85); t(18) = 0.97; p = 0.35. In other words, the level of accuracy of marketing information from Sony is perceived as only slightly higher than that of Nintendo.

For the level of influence, there was similarly a difference in the scores of Sony’s customers (M = 2.8; SD = 0.33), and Nintendo’s customers (M = 2.4; SD = 0.43); t(18) = 0.74; p = 0.5. From these results, it can be inferred that Sony’s marketing activities had only a small advantage over those of Nintendo in terms of influence on potential customers.

Therefore, from the customers’ perspective, Sony’s marketing activities are still more efficient than those of Nintendo (as they are more accurate and more influential);
however the difference is fairly minimal and does not seem to pose much of a threat to Nintendo. Nonetheless, it is clear that consumers are often unaffected by Nintendo’s marketing efforts, and the fact that they generally deem Nintendo’s marketing information to be not very accurate.

V. Shortcomings:
The methodology applied for this thesis has several weaknesses. First of all, the survey can only target players who speak English, or at least has a good command of the language, leaving out a large portion of gamers who do not use English in everyday life and/or in gaming. In addition, the survey is skewed towards Vietnamese, Finnish and American nationalities, and therefore mostly reflecting the opinions of gamers from these countries, rather than the opinions of global gamers. This is somewhat a direct consequence of the fact that the survey is only available in English, as well as the fact that the survey is distributed in circumstances where these nationalities are dominant. For example, Finnish and Vietnamese are the majority of members in the Facebook group of Aalto students. Finally, the sample size is too small to draw any conclusion about the gaming population in general, and the console gaming population in particular.

VI. Discussions and Analysis:
1. INDICATIONS FROM THE SURVEY:
1.1. Console gamers:
After analyzing responses from console gamers to the survey, certain assumptions made in previous sections can be debunked.
First of all, it seems that Nintendo is not performing worse than Microsoft in the gaming industry, and in fact seems to be better, most likely thanks to the performance of Nintendo Switch in the market. Xbox One seems to be least popular device among gamers of all nationalities and genders, being rated as less favorable than consoles from previous generations such as PlayStation 3. Moreover, the Asian market is a harsh place for not only Microsoft, but also Sony and Nintendo. Only 12% of all console gamers surveyed come from Asian countries, despite the fact that those with Asian nationalities take up to 31.88% of all respondents considered in the report. While the sample size is too small to generate a definite assumption, this fact can suggest that Asians are less likely to favor gaming consoles, as opposed to other platforms (refer to Figure 9).
On the other hand, the survey confirms that Sony and its home console line is currently dominating the market. The majority of console gamers surveyed own a PlayStation 4 and/or name it as their favorite device among gaming consoles. Several of Nintendo consoles also make the list, despite a noticeable gap in popularity. Moreover, there
seems to be more female console gamers than previously thought, although female gamers in general can still be considered the minority. The survey also affirms the notion that exclusive games play a crucial role in deciding the popularity and favorability of a console, as the majority console gamers surveyed respond that this is the most important factor to them when considering a console.

There are also positive implications. Most Nintendo consumers are either fairly satisfied with the information they receive through marketing communications, or consider it unnecessary for marketing communications to convey too much information, as they can simply look it up themselves. Furthermore, consumers consider information carried through marketing communications to be somewhat accurate, as the mean of accuracy level, rated on a scale of 1 to 5, is 3.5. It is also important to note, however, that many respondents also consider marketing communications to hold no significant influence over their buying decisions.

In summary, the survey provides implications that there are more female console gamers than one would expect, and that with Nintendo Switch, Nintendo seems to have regained the momentum, even though Sony and PlayStation are still enjoying a comfortable lead. Additionally, exclusive games and their exposure to consumers through marketing are a crucial factor for most gamers, something that Nintendo would be advised to consider.

1.2. Computer gamers:

On a side note, the survey also points out the threat of computer as a gaming platform to console systems. More than half of random respondents elected computer as their favorite platform, especially respondents who come from Asia, which once again affirm how popular computer is as a gaming platform, and that the gaming console industry needs to be wary of its PC counterpart.

In addition, the survey also asked computer gamers if they have a favorite game producer (studios that produce games, either independently or funded by larger organizations), and whether their preference (or the lack thereof) affects their choice of gaming platform. Of all computer gamers, 70% responded that they did not have a favorite gaming studio, while the other 30% confirmed that they did. When asked to explain why this is the case, those who did not have a favorite studio said that they mostly paid attention to the specific games, and not much so for the studios, though some did have studios that they followed more closely than others, even if their level of fondness did not qualify as loyalty or attachment. The other 30% replied that if they really enjoyed games put out by certain game producers, they would become loyal/attached to said producers, as these studios had gained their trust. Some cited
that they wanted to support said producers in order for them to produce more enjoyable games.

Then, computer gamers are asked if their loyalty/attachment (or the lack thereof) somehow affects their choice of gaming platform. Those who had no favorite producers mostly responded that their choice of gaming platform was unaffected by game studios in general, and many simply preferred computers as a gaming platform, due to its versatility and easier access. A small minority, however, responded that because they lacked a favorite game producer, they opt for a platform that had access to more games. Meanwhile, those who did have favorite game producers are more balanced, with 54.55% said that they would favor the gaming platform on which their game producers released more games, while the other 45.45% said that their choice of gaming platform was relatively unaffected by their attachment to game producers, with some responded that it was their favorite gaming platform that affected their choice of game producers.

To sum it up, responses from computer gamers provide insights into what attracted potential customers to PC as a gaming platform, as opposed to console systems like products of Nintendo. Most cited the convenience of computers as a gaming platform, while others said they were simply not interested enough to invest in a system just to play exclusive games. Some explained that they followed the platform most used by their favorite game producers, while others gave no reason, other than the fact that they merely liked using PC to play games.

1.3. Mobile gamers:

As expected, the number of respondents who were mobile gamers are very few and therefore not many meaningful conclusion can be drawn from their responses.

1.4. Conclusion:

With the noticeable threat from the computer gaming platform and the emerging threat of the mobile gaming platform, Nintendo has more than two competitors to struggle against. However, from the results of the survey, Nintendo still seems to maintain a dominant position in the gaming console market, leading Microsoft’s Xbox by a monumental distance, and only trailing behind Sony’s PlayStation. With the introduction of Nintendo Switch, the oldest company in the market has currently re-emerged and put itself into the spotlight. However, from the customers’ perspective, Nintendo’s marketing activities are still deemed as less effective than those of Sony’s, even if the difference is not large. Therefore, it can be inferred that while marketing is not necessarily Nintendo’s fatal weakness, it is still an area that the company can improve on in order to secure its position in the future, especially as it moves closer to
the home console system market that it once dominated, but has now lost the lead to Sony.

2. INDICATIONS FROM HISTORY:
Nonetheless, it is still crucial for Nintendo to compete effectively in the marketing arena, as the company has long given up on the race of the most powerful and graphically advanced console. Moreover, marketing used to be Nintendo’s piercing lance in the past, which helped it successfully penetrate a foreign market that was in the aftermath of an industry crash. It was also an extensive marketing campaign that landed Nintendo Wii into the top spot of the console market for years, making it Nintendo’s most popular and sole consoles in the long history of the company. Additionally, Nintendo has paid dearly for any of its mistakes in marketing in the past. The early 1900s can serve as an example, or a bitter lesson. Amidst its incredible success and near monopoly over the American home video game market, Nintendo allowed itself to be susceptible to allegations of illegally restricting competition by its “anticompetitive conduct in the retail market” (Sheff, 1999: p.263), a legal struggle that would lead to its worsening image in the public. NOA and its management struggled to get their side of the story out, to the point that Howard Lincoln, then-chairman of NOA, accused the investigation committee of silencing his organization and “trying to screw us” (Sheff, 1999: p.265). Nintendo’s strict licensing regulations, which was once its strength, had become a brush for its competitors to tarnish its name with. Moreover, the company had done little to improve the image of Japanese companies in the eyes of the American public, further putting itself in a disadvantage when it was dragged through the mud.

Nonetheless, the American branch of Nintendo was not about to go down quietly. From that point on, Nintendo was forced into a war with rental companies, as Lincoln pursued several tactics in order to ensure that Nintendo, whenever the word was uttered, would mean “video games”. To sum it up, Lincoln was applying the Commandment of “Thou shalt not take the name of the Lord thy Lord in vain” for the name of his company. The chairman also went after the industry of illegal games, spending millions of dollars on cracking down counterfeiters, with the occasional assistance of the U.S. government. The campaign was so zealous that NOA even went after the Taiwanese government, which sanctioned for illegal, counterfeit products to be produced in large scale plants, and was the first company to connect a government to the counterfeiting operation (Sheff, 1999).

In the end, Nintendo’s sweeping counterattack campaign managed to win back the trust of the public, as customers were aware that retailers could only sell products approved by NOA, or risked having the enormous company going after them. Although the damage was done, and the lesson learned, Howard Lincoln was still confident that
“We are internationalizing. The momentum has begun. Anyone who chooses to underestimate us will lose” (Sheff, 1999: p. 421).

Ironically, however, it seems that the company that would lose for underestimating Nintendo, was Nintendo itself. Having underestimated the impression that Nintendo Wii left on the market and consumers, the company’s marketing campaign for Wii U fell flat, failing to live up to the expectations of yet another innovate, ground-breaking product. Wii Remote became a shadow that was proven difficult for Nintendo to overcome, as the Wii U’s new and motion-sensitive screen pad seemed unimpressive in comparison to the previous controller. Instead of struggling in a competition against Sony and Microsoft, Nintendo was struggling against itself. While there were other problems with the Wii U, its lack of original games for example, the most glaring fault of the marketing campaign for Nintendo’s biggest failure was its inability to convey what was new and useful about the product (Stuart, 2017).

However, it was also marketing campaigns that launched two of Nintendo’s most successful products before Nintendo Switch, as analyzed in Section II, part 3. The advantages of this strategy are fairly apparent; the company allowed the existing customers to feel the sense of belonging in a community, which in turn institutes a certain sense of loyalty and attachment into these customers, thus retaining them to the console line longer. On the other hand, potential customers could be drawn to the company, if the community is presented as open and approachable to newcomers. This is a characteristic that is fairly unique to Nintendo, as its main market is not the veteran gamers, whose community can be seen as somewhat hostile to newer members. The downside of these full-on campaigns, however, is that they can take a long time to come into effect, and thus the results may not be immediately apparent. Moreover, they are fairly costly, and is not recommended should the company experience a spell of financial troubles.

In conclusion, in Nintendo’s long and proud history, the company has gone through several downfalls. Its largest downfalls, however, can mostly be attributed to its miscommunication with the general public and the gaming market specifically. “Fools who don’t respect the past are doomed to repeat it”; for Nintendo to avoid falling behind again, there is a need to draw lessons from the previous mistakes and apply them in their future strategies.

3. INDICATIONS FROM COMPETITORS:

3.1. Sony:

As the current leader of the market, Sony’s marketing strategies can potentially hold many lessons for Nintendo.
One thing that Sony excels at is creating an unmistakable image for themselves, through the method of identity-based marketing and creating an irreplaceable value through its communication channels. In the conceptual framework created by Marchand and Hennig-Thurau, communication channels are the gateway that game content can be conveyed to the game consumer, and they are the shape by which the company’s branding can be formed. And vice versa, game content affects what communication channels can be used to reach gamer customer. Since the beginning, Sony had decided to image itself as a “mature” form of entertainment, determined to show that video games were not children exclusive. In order to accomplish this goal, Sony limited their communication channels to those that are universally considered to have a grown-up image, as previously discussed in the Literature Review. In order to further support this image, Sony PlayStation’s exclusive games mostly focus on more serious and dark themes. For example, The Last of Us, developed by game studio Naughty Dog and published by Sony Computer Entertainment, is a survival horror game that centers around the journey of a smuggler and a young girl across a post-apocalyptic United States. The game is widely praised for its resonating story and unique yet relatable characters, including refreshing portrayal of LGBT characters. Ultimately, the game’s mature vibe and acclaims affect PlayStation’s image as well, further enhancing its brand as “video games for adults”.

Thanks to this image, as well as high-quality products, Sony captures the market of mostly male gamers who would like to feel mature, and overtakes Nintendo as the top producer of consoles. More importantly, Sony sticks to its own identity and mostly forsakes the home entertainment industry to focus on improving the individual’s gaming experience, proven by its powerful CPU and outstanding graphics. With this, Sony’s message is clear: PlayStation is the console to look for as a mature gamer.

3.2. Microsoft:

Although Microsoft Xbox seems to be trailing behind both Sony and Nintendo, it does not mean that there is no lesson to be learned. After all, it is from mistakes that valuable experience can be earned.

From the Literature Review section, it has been established that in many ways, Microsoft Xbox is very much similar to Sony PlayStation. In terms of identity-based marketing, Microsoft aimed to build for Xbox an image similar to that of PlayStation; a console for adult gamers. Thus, the company entered a race for powerful CPU and graphics with Sony, and as far as the consumers are concerned, Microsoft lost. “Xbox is a joke in Asia, especially Japan”, as one professor said. Despite having gone through mostly identical steps as PlayStation, Microsoft Xbox still fails to establish a certain
market segment for themselves within the gaming industry, like both Sony and Nintendo have been able to do.

First and foremost, perhaps Microsoft’s mistake was that Xbox was too similar to PlayStation. This is worsened by the fact that Sony entered the market several years before Microsoft did, and had the time to build a specific brand and establish its own fanbase. Microsoft, on the other hand, did not have the first mover advantage, and had more boulders to overcome in order to gain their own market share.

Similarly to Nintendo, Microsoft also had one of its own strengths turned into a weakness. As aforementioned, one of Xbox’s advantages over its competitors in online gaming service was Xbox Live, with better servers and more features. However, Xbox Live involved online gaming, which created a community, whose members’ behaviors can not only affect each other’s gaming experiences, but also the image of the community as a whole. Microsoft, however, cannot possibly control the players’ behaviors. In addition, due to lack of moderation in its dawn, Xbox Live community gained somewhat of an infamous reputation for having many immature and rude players. Xbox 360 which came with headsets also exposes players to many vocal death threats and violent insults, which in turn worsened Xbox’s image in general. Granted, much of this cannot be blamed on Microsoft, as most online communities have the same bad apples. Nonetheless, perhaps Microsoft’s lack of action in the beginning has allowed the reputation to be established, which happened to contradict with the image Microsoft was building for Xbox.

4. FUTURE DIRECTIONS:

It is beyond doubt that the launch of Nintendo Switch was a success, and revived hope for Nintendo to reclaim its dominant position in the gaming industry. It is a journey which undoubtedly requires thorough and extensive strategies. In this thesis, however, we would only consider suggestions for its marketing strategies.

4.1. Social proof marketing:

Currently, Nintendo’s marketing efforts are mostly perceived as not influential over the customers’ buying decision. However, most of those who gave Nintendo a low score on the influence of their marketing efforts also explained that they are mostly uninterested in marketing efforts from any company in general. Such phenomenon is not new by any means. It is part of the effects of advertising saturations on the culture of consumer, thus creating the notion of “the fragmented and wary post-modern consumer” (Rumbo, 2002: p.129). For these customers, Nintendo cannot and should not try to change their customers’ behaviors; thus, they cannot force this marketing-resistant market segment to be more responsive to marketing efforts in general.
However, it is possible to modify their marketing activities into less conventional forms, while still fulfilling all the purposes of traditional marketing methods. A possible method is social proof marketing. Social proof is a psychological principle which explains that a person may decide upon an appropriate course of action for themselves through the examination of others’ behaviors, especially those who they consider to be similar to them (Cialdini et al., 1999). Thus, social proof marketing is a strategy that utilizes this psychological principle, and has been successfully adapted by large companies in other markets. The electronic commerce market, for example, relies heavily on different forms of social proof marketing, including word-of-mouth, online ratings and reviews, and other types of social influence in order to build a reputation for a product (Amblee & Bui, 2011). It is a type of marketing strategy that at first glance, does not appear to be marketing at all, and can be effective against the cynical postmodern customers. However, the specific type of social proof marketing that this section would recommend is celebrity endorsement. Fortunately for Nintendo, due to the ease of its products, several celebrities are already endorsing their consoles through online posts on social media platforms. However, Nintendo does not currently do anything to promote and draw attention from the public to these endorsements themselves. In order to utilize the effects of celebrity endorsements, it is advised that Nintendo actively publicize these endorsements, or create opportunities for more celebrities to endorse their products, thereby increasing their products’ exposure to the public without having to organize a marketing campaign themselves. Additionally, this would not be the first time Nintendo adopted social proof marketing. As mentioned in section 3.3, under part II, Nintendo’s most successful marketing campaigns are centered around creating a new sub-culture for the customers, and potential new customers, to join in. In this new age of social media, the implementation of this strategy would be immensely easier and cheaper, although Nintendo’s attempts to create a new sub-culture would run into challenges that were not present in the past. For example, the company would need to compete with distractions from other subcultures, and require specific social media strategies in order to retain the attention of their customers and attract them into their sub-culture. Nonetheless, with the fan base that Nintendo still has, the company can expand the sub-culture it previously built for previous consoles to envelope its more current products, thus bridging the gap between older and younger fans, and consequently make it easier for newer consumers to feel welcomed and more willing to join the sub-culture of Nintendo.

4.2. Identity-based marketing:
A problem that Nintendo consistently has is miscommunication with its consumers. It was this problem that led to the failure of the Wii U, and the same problem that prevents Nintendo from having a clear identity. Unlike PlayStation, whose exclusive games are often focused and in line with the brand’s identity, Nintendo’s exclusive games are far more diverse in terms of genre, and sometime even contradict with the brand’s general image. A stellar example is *Shin Megami no Tensei (SMT)*, a spin-off version from PlayStation’s exclusive game series *Persona*, which focused on humanity’s struggle against a new enemy in the aftermath of an apocalypse. With gory animations and a dark undertone, the game strays far from Nintendo’s main image as a family-friendly game console. To make matter worse, with the exception of fans of the series, many gamers cannot distinguish between *Persona* and *SMT*, and simply thought that the name is the Japanese version. Another example is the *Fire Emblem* series, another popular game franchise of Nintendo. *Fire Emblem* games are all turn-based strategy games, and thus frequently feature themes of violence and occasionally incestual relationships, and death is a common occurrence in these games, as they all take place in the context of a war, or an armed conflict. Therefore, both of these game franchises, though successful and profitable to Nintendo, are not in line with the company’s identity, causing confusion. Nintendo needs to establish a more inclusive brand, one that does not destroy the image it has built for decades, but also do not leave out some of its popular games series. In doing so, Nintendo can also utilize the popularity of these games to boost the image of the company, that Nintendo isn’t just about a plumber running over mushrooms to save a princess, but can also cover more serious and resonating themes.

Along that line, while it’s true that Nintendo console is the exclusive platform to three of the world’s best-selling game franchises, perhaps the time is also right for Nintendo to launch a brand new franchise in order to connect with younger generations of gamers. Most of the games that are bringing profits for Nintendo, through attracting players to Nintendo consoles, are fairly old, despite their continuous remakes. One of Nintendo’s front-runner, *Pokemon*, is nearly 22 years old (the first game was released in 1996). Nintendo’s mascot Mario is the main character in one of the world’s best-selling game franchise, the *Mario and Super Mario* franchise, which is now 37 years of age. Similarly, *The Legend of Zelda*, whose newest game *Breath of the Wild* obtained high praises from most game review websites and its players, has recently reached its 32nd birthday in February this year, while *Fire Emblem*, also a popular game franchise with a long list of games, remakes and spin-offs, is nearly a month away from its 28th birthday. Although most of these game franchises still have the potential for more releases, it would be difficult for both game producers and Nintendo to introduce
original concepts through these games on a more constant basis. Fire Emblem's newest game, for example, is merely bringing back all of fans' favorite characters from past games and introduce few new, original characters. Players could be jaded to the familiar styles of Nintendo games, thus giving the company the image of an old and change-resistant organization, and turn to other platforms or devices for something new. Nintendo need to prove that as a company, it is still capable of innovation and changes; and a new game, preferably with a well-known producer that has not been known to work with Nintendo previously, would be beneficial to the reputation of Nintendo.

4.3. Collaboration:
In line with the idea of refreshing Nintendo’s image as a company, Nintendo may consider conducting a joint marketing campaign with their biggest rival, Sony. As previously mentioned, Sony’s division of game consoles was born out of a failed collaboration with Nintendo. Ever since, the two companies have been in a competition with each other, playing in a presumably zero-sum game. It is somewhat logical to assume that if customers have purchased consoles from one company, they are not likely to purchase more consoles from another company. The survey, however, has proven that this is not the case. The majority of console gamers that responded to the survey, at one point or another, own consoles from both Sony and Nintendo at the same time. Moreover, because Nintendo does not compete mainly in the home console system market that Sony currently dominates, and instead relies more on other console markets, cooperating with Sony in marketing alone is not likely to cost them potential new customers.

From the survey, the efficiency of Sony’s marketing efforts is still slightly higher than that of Nintendo’s marketing efforts. Therefore, with appropriate planning and execution, a collaboration in marketing efforts can potentially boost the efficiency of both company’s marketing campaigns. For Nintendo, Sony’s mature vibe helps Nintendo to avoid being seen permanently as a childish gaming brand, and allows it the possibility to incorporate more mature games (like SMT) into its image. Moreover, because of Sony’s solid reputation as a powerful gaming console for veteran gamers, it can improve the image of Nintendo’s consoles, traditionally seen as more fitting for casual and beginner gamers, a market that is not likely to remain loyal and invest heavily in gaming.

While a cooperation in creating a new console might be impossible, due to probably licensing and distributing rights dispute, a joint marketing campaign between Sony and Nintendo, both already well-known and old companies, may be a breeze of fresh wind
that both organizations need in order to refresh their image and re-assert that reputations.

VII. Conclusions:

1. MAIN FINDINGS:
The thesis has made several findings. Concerning the survey conducted as a part of this thesis, the results have made several discoveries. First of all, the market of console gaming systems has more female customers than expected. Secondly, the Asian market, and more specifically South East Asia, seems to be dominated by computer gaming. Moreover, even with Nintendo Switch’s success, PlayStation 4 is still enjoying a comfortable lead, which may prove difficult for Nintendo to overcome. Finally, because current marketing efforts of Nintendo are only judged as somewhat accurate and have little influence over customers, improvements can be implemented so that these communications can be more satisfactory and have a larger impact on the decision-making process of potential customers.

The survey could provide some insights on who are Nintendo’s current customer base, and who are the potential customers the company can aim to target in the future. More specifically, female and Asian console gamers is a relatively new market that has yet to be captured by any of Nintendo’s rivals, as shown in the results of the survey. With Nintendo’s reputation as a user-friendly console, as opposed to the more specialized and complicated consoles of Sony and Microsoft, it might be easier for the company to capture the market that are less technology-savvy and invested in gaming.

A comparison of Nintendo to its competitors, both in the past and the present, shows that Nintendo is not clearly inferior to either Microsoft or Sony, having gone through similar spells of ups and downs. However, Sony’s marketing strategies prove to be more efficient than that of Nintendo, and those of Microsoft’s, though not as effective, can still serve as a warning tale for Nintendo. More specifically, Sony's strategies and success in identity-based marketing can provide Nintendo with suggestions on how to solidify the latter’s brand and corporate identity, with a clearer intention of who their main target is, and how to tailor their products to cater for said target. On the other hand, Microsoft’s bitter lesson could remind Nintendo of the influence that its community of players can have on its own reputation and potential customers’ attitude to its products. Although there is little for Nintendo to do about the nature of its current fanbase, they could be better prepared to remedy their own reputation in case their community starts to have a bad name.

For Nintendo, it is suggested that the company adopts social proof marketing and identity-based marketing, in order to enhance its reputation in the market. More specifically, Nintendo should more actively engage in celebrity endorsement, as a
method to advertise to marketing-resistant customers. On the other hand, Nintendo needs to start refreshing its own name with, preferably, new game franchises and new partnerships with game producers it had never worked with before. For a company as old as Nintendo, it is vital that it can still appear as a continuously evolving and progressing organization, especially since being a “disruptor of the industry” had been its role for many decades. A joint marketing campaign with its biggest rival, Sony PlayStation, is a viable option that can give Nintendo’s brand image the change and boost in reputation it needs.

2. IMPLICATIONS FOR INTERNATIONAL BUSINESS:
This thesis chose to study the customers’ reaction to Nintendo and its competitors’ marketing efforts as a way to better understand the effectiveness of Nintendo’s marketing strategy in particular, and of console producers’ marketing strategies in general. The results imply that in general, customers of the console gaming market is relatively resistant to marketing efforts.

Because the market of gaming consoles is an oligopoly, the customers’ attitude towards marketing efforts from Nintendo, Sony and Microsoft can be an implication for how customers in other oligopolies react to marketing. Because in an oligopoly, actions from one firm can affect those of others, the focus of studies in this type of market is often not on the behaviors and attitudes of consumers. However, it may be interesting to study how consumers react in a market with few competitors, especially a market like console gaming, with only three major players. This thesis draws attention to what knowledge can be gained about the market from studying customers’ perception, even in an oligopoly. In addition, the research discovered that customers in the console gaming market are by large unaffected by marketing efforts from any competitor in the market, not just Nintendo. Perhaps their attitude towards marketing has been affected by the characteristics of the market, which is a differentiated oligopoly, and it could be beneficial to study the factors that could have contributed to this phenomenon in order to better understand the behaviors of buyers in oligopolies.

The struggle of Nintendo’s and Sony’s to capture their consumers through marketing activities, despite both being successful multinational firms, seems to be a warning of how marketing resistant customers have become. Especially in today’s modern world, customers are often overwhelmed with a large amount of information, thus creating a marketing-saturated environment which would prompt consumers to develop behaviors and/or tactics to actively avoid advertisements and marketing efforts (Rumbo, 2002). Thus, the effects of traditional marketing methods have drastically gone down, and Nintendo would not be the only company that require more subtle and original plans.
3. SUGGESTIONS FOR FURTHER RESEARCH:

The quantitative research for this thesis, conducted in the form of a survey, is flawed by the fact that its sample size is extremely small, especially the number of console gamers who responded to the survey. Therefore, in order to see if the indications drawn from this research is applicable for a larger population, it is suggested that a research with a more expansive sample size is conducted.

Moreover, the survey respondents are mostly Vietnamese, Finnish, or American, due to the channels through which the survey was distributed, as well as the fact that it was only available in English, which made it impossible to collect answers from console gamers who do not have sufficient skills in English. A more inclusive research, preferably with more language options, can provide more insights about a wider population of console gamers.

In addition, questions in the survey of this research were designed to categorize gamers based on their favorite gaming platform, in order to filter out console gamers, who are the primary target of the research. However, responses from the survey show that there have been several gamers who do in fact own consoles, but simply did not favor consoles as a gaming platform. It is regrettable that the survey has missed out on eliciting relevant information from those respondents. Therefore, better filter questions should be designed in order to not leave out any respondents who may have input that is helpful to the research.
VIII. Reference List:


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