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BUAD 497 | Brunious
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Agenda

1:30PM

Industry Analysis

Internal Analysis

Strategic Problems

Recommendations

−/+ Options A Start

Industry Analysis

1:30PM

Supplier Power

Medium

- Semiconductors
- Lots of different producers of console hardware

Buyer Power

Low

- Only 3 major players
- Switching cost is high for consumers

Threat of New Entrants

Low

- Brand Recognition
- Exclusive games
- Economies of Scale

Substitution

High

- Many Substitutes (any leisure ent. activity)
- Substitutes are improving

Competitive Rivalry

High

- Microsoft
- Sony
- Nintendo

−/+ Options A Start

Internal Analysis

History

Mission and Values

Internal Analysis

History

- Founded in **1889** by Fusajiro Yamauchi
- Produced Hanafuda “flower cards” for over **70 years**
- Expanded in **1963**

Mission and Values

Putting Smiles on the Faces of Everyone Nintendo Touches

Internal Analysis

History

Mission and Values

- Mission: “To treat every **customer** with attention, consideration, and respect”
- Customer-focused
- Value **all types** of customers
- Foundation to pivot to **tech & entertainment**

New Technology

- Focus on Hardware Development (ex: game consoles, game accessories, game-specific studios)
  - Ex. “Switch Pro” rumored to be released in 2024
  - Implementing VR Reality Tech
- Smart Devices
  - i.e. Pokemon GO Plus Bracelet

Entertainment Partners

- To Amplify Popularity of existing IP
- Impact all types of customers to new levels
- Leverage IP while prioritizing innovation
- Ex: Super Mario Bros. Movie + Super Nintendo Land at Universal Studios

Pre-Pandemic Financial Success:

- Increasing in operating profit
- Doubled net assets
- Uptick in cash flow
- Successful adaptation of Super Mario Bros into theatrical property, helping them move into themed entertainment.

Post-Pandemic Financial Issues

- Declined operating profit alongside cash flow from financing activities since 2021
- Decreased YOY in both production and sales across all categories

Strategic Problems

Shrinking Leisure Time

Customer Dissatisfaction

Supply Chain Disruptions

Shrinking Leisure Time

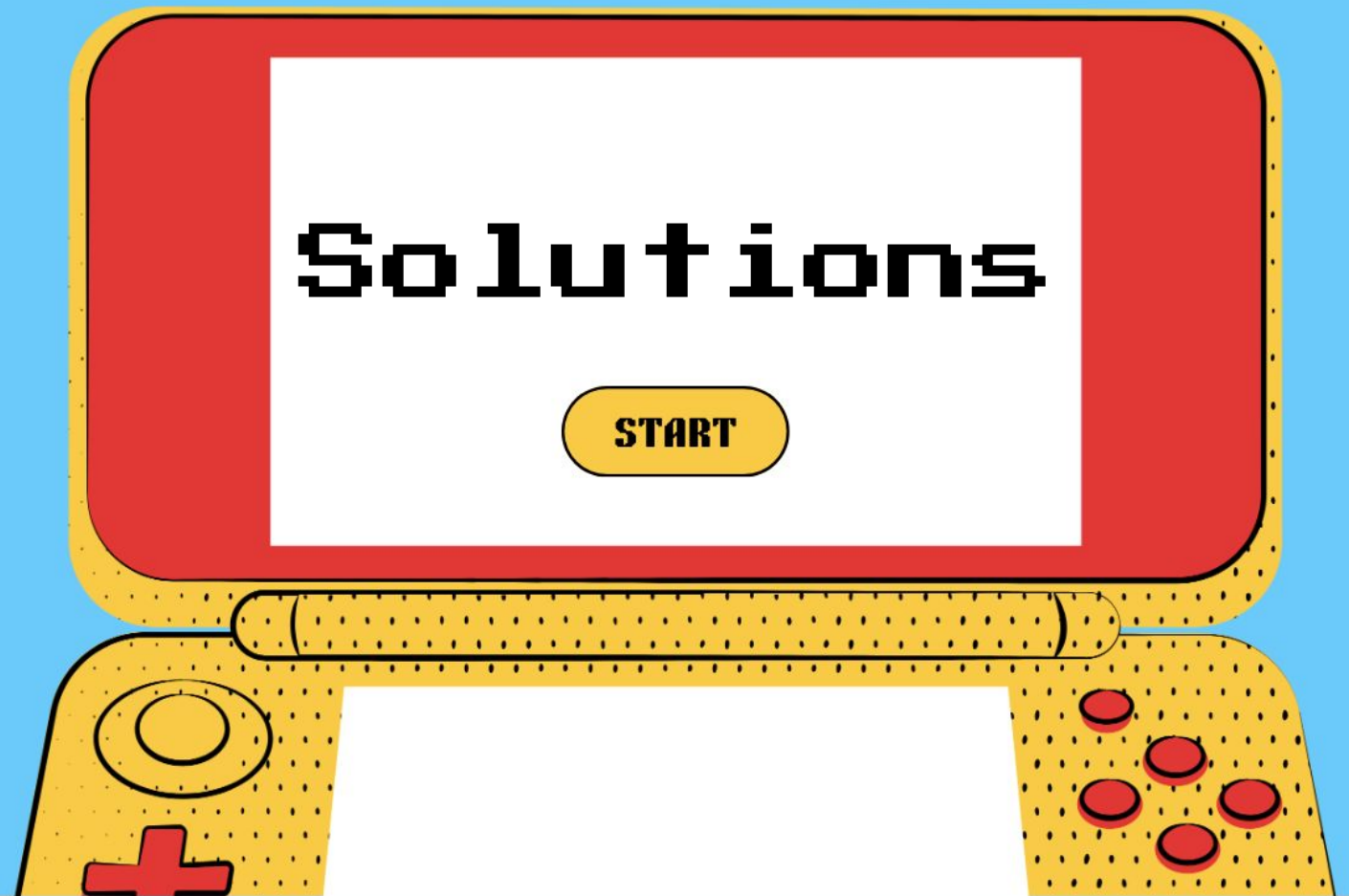
- Post-pandemic: leisure time and consumer engagement on decline
- “Hardcore” gamers maintain active online habits
- Casual gamers—the Switch’s target audience—are leaving consoles at home and returning to offices

Customer Dissatisfaction

- Nintendo fans have taken to community forums to express their fatigue with IP that feels tired, or at the very least, lacking “creativity.”
- Highly-stylized games require significant development time, which limits the amount of new IP the company releases.

Supply Chain Interruption

- Semiconductor shortages from supplier TSMC make Switch impossible to manufacture and sell
- Nintendo and competitors suffering same losses
- Larger questions about how to prevent and adapt


Solutions
START

SOLUTIONS: STRATEGIC PROBLEM #1

Shrinking Leisure Time

Discontinue the DS

- DS cannibalizes Switch sales
- Push harder on Switch (Lite, etc.) at various prices to target price sensitive customers and new gamers
- Cuts costs and streamlines production
- Ability to capitalize off the nostalgia with DS 20th and 25th anniversary limited edition launches
- Possible backlash from loyal fans

Airline Seatback Entertainment Gaming

- License simplified versions of Nintendo games to Delta/United/American Airlines
- Cost effective and utilizes current IP
- Builds approachable brand
- Targets new audiences with untapped leisure time
- Hard to predict seatback to console sales

RECOMMENDATION #1

Nintendo iPad Joy-Con

A partnership with Apple to give users the ability to turn their iPad devices into a makeshift Nintendo console, much like an even “lite-er” version of the Switch, with access to Nintendo games.

- This strategic partnership allows Apple to move into the gaming space utilizing Nintendo IP.
- Tap into younger, inexperienced gamer market at a lower price point.
- Prevent other large companies' direct entrance into the market

SOLUTIONS: STRATEGIC PROBLEM #2

Customer Dissatisfaction

Dedicate Team for Small IP Development

- Focus on lower-budget, high-quality niche games to build out independent fanbases
- We suggest: internal small-title games team or acquiring a company like Deck Nine Games
- Expands gamer demographics and builds cult following

Re-Launching Nintendo Esports

- Re-approach competitive Smash gameplay with new rules and regulations and adjusting current IP (i.e. Nintendo Sports lines, Mario Kart, etc.) for competitive gameplay
- Partner with Tencent to execute
- Builds loyalty, excitement, and conversation around Nintendo IP

RECOMMENDATION #2

Key Adapter of Entertainment IP

Expand existing Universal deal to allow Nintendo to create action-adventure, role-player, platformer, or other types of quality gaming of their popular franchises.

- Develop games like The Secret Life of Pets, The Lorax, Minions or more adult media like The Boys on Amazon Prime
- Market existing Nintendo IP with films and attractions like Mario and Zelda while also providing new, diverse IP to existing Switch users.

SOLUTIONS: STRATEGIC PROBLEM #3

Supply Chain Interruption

Vertical Integration

- Bring chip manufacturing in-house (Like Apple's MI)
- Builds competitive advantage as there are not many suppliers, and no other game companies do this
- Creates new revenue streams with ability to sell excess chips to competition
- Extreme overhead, outside of the scope of Nintendo's focus

Changing Suppliers

- Ex: Qualcomm (Apple currently using with plans to end)
- Curbs competition for same small group of TSMC chips
- Economies of scale counteracted by more Switch sales and being able to meet demand
- Expensive and possibly risky as it puts the future of Switch sales into the hands of a smaller company

RECOMMENDATION #3

Supply Chain Digitization and Predictive Analytics

AI supply chain optimization, updated warehouse-management, and measures for forecasting demand and performance analytics.

- Adjusts for chip shortages
- Addresses customer demand changes, quickly informing suppliers to avoid component manufacturing bottlenecks
- Better communication with many suppliers and thus better relationships

Timeline
PLAY

iPad Joy-Con Timeline

Immediate

Conversations, negotiations, and licensing with Apple

1 Year

Invest portion of $900mm R+D budget in design

1.5 Years

Begin manufacturing and marketing campaign

BUDGET

- $200 million of $900 million R+D budget to reduce Joy-Con price from $90/unit to $50/unit with Apple
- 230 Million iPads sold, if even 1/4 buy JoyCon at a $75 price point, Nintendo and Apple would profit +billion dollars
- $150 million of $700 million marketing budget to advertising

Key Adapter Timeline

Immediate

Conversations and renegotiations with Universal Studios

1 Year

Development begins on first game adaptation

5 Years

Release of first Nintendo / Universal game on Switch

BUDGET

- $150 million of $827 million dollar R+D budget
- Justified by $1 billion dollar box office Super Mario Bros performance and successful theme park attraction that is foundation of strong Universal Studios relationship

Supply Chain Digitization Timeline

Immediate

Conduct supply chain assessments, hire necessary personnel

6 months

Review survey and set goals: launch AI Supply Chain Automation, warehouse management, establish demand forecast metrics

2 Years

Completion of Supply Chain Digitization and Predictive Analytics

BUDGET

- 20 Million dollar investment over 18-24 month period
- Expenses: project manager, solutions architect, developers, data scientists, and engineers will conduct interviews with partners, employees, and customers and new supply chain technologies

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