When Nintendo released its latest videogaming console, the Wii, many industry analysts thought the machine would quickly go by the wayside. At the time (November 2006), the prevailing philosophy was that success in the videogame industry depended on being able to produce the fastest, most powerful machine on the market. Faced with competition from Microsoft’s Xbox 360 and Sony’s PlayStation 3 (PS3) gaming consoles, both of which fit the bill, Nintendo’s strategy of building a console around much simpler and less powerful hardware raised many questions about the Wii’s viability.

Fast forward to the end of 2008 and consider the numbers. In November and December of 2008, Nintendo sold 4.1 million Wii consoles, Microsoft sold about 2.2 million Xbox 360 consoles, and Sony sold 1.1 million PS3 consoles. That’s right—Nintendo sold more consoles than both of its major competitors combined. In terms of year-over-year growth for that same period, Xbox 360 sales experienced a modest increase, and PS3 sales actually dropped. As for the Wii? During that same period, Wii sales doubled. On the software front, the videogame industry as a whole saw software sales increase by 26 percent. With that in mind, consider that the four top-selling games of 2008 were all exclusively for the Wii. The top seller, Wii Play, sold more than the combined Xbox 360 and PS3 sales of Grand Theft Auto 4. Consider as well that Nintendo’s staggering hardware and software sales growth occurred in the middle of a deep recession.

So what exactly has given Nintendo such an edge? Part of it certainly goes back to its hardware design. When designing their next-generation consoles, both Sony and Microsoft invested considerable time and funding into designing entirely new processing systems and several new features to make their machines more versatile. For instance, the PS3 included a Blu-ray player. The hardware for the original PS3 model cost almost $700 per unit, and while Sony has managed to pull its costs on the current model down 35 percent from the previous model, it remains in the red and has yet to make a profit on console sales. Furthermore, after several reductions, the current PS3 model still sells for $399, at least $150 more than its two competitors. Microsoft has not had nearly the same difficulties as Sony in making its console profitable; however, it has recently had to introduce price cuts to its consoles. Nintendo, on the other hand, chose to use a simpler and much less expensive processing system.

The Wii’s overall game play generally varies from its competitors’ as well. While the Xbox 360 and PS3 in many ways appear to be bigger, stronger, faster versions of their predecessors, the Wii—with a much more integrated motion capture system—in many ways has offered gamers something new. Nintendo isn’t looking at just gamers either. Traditionally the core market for video games has been dominated by teen and early-adult male action gamers. With the Wii, Nintendo has been pushing titles that it hopes will have a more casual family-friendly appeal—titles such as Wii Fit and Wii Music. The top-selling game for 2008—Wii Play—includes basic games like pool, ping pong, and target shooting. With offerings like these, the Wii provides relatively inexpensive in-home whole family entertainment.

Nintendo’s vision also extends beyond just providing videogame entertainment. For example, the Nintendo DS, a portable gaming system, can also be used as a book reader. By purchasing its book cartridge, users can take advantage of the Nintendo DS’s touchscreen to flip a page by swiping a finger (or a stylus) across the screen. Adaptation as an e-reader reflects just one of the ways that Nintendo is looking to make its hardware more versatile. Wii Fit was designed to bring fitness activities into the family room and make it a communal activity. Nintendo, however, hasn’t abandoned its core audience. Two of the top-selling games in 2008, Mario Kart Wii and Super Smash Bros. Brawl, were the latest releases in two longstanding Nintendo game franchises.

When asked about the future direction of Nintendo’s software, their chief game designer Shigeru Miyamoto
commented that his goal was for the Wii to become “a necessity for every home.” Based on the Wii’s recent success, it looks like Nintendo is off to a pretty good start.

**Questions**

1. Imagine that you are charged with designing a successor to the Wii. Briefly describe the new-product strategy you might use.

2. How might the diffusion process differ between the Wii and its competitors?

3. Compare the life cycle of Nintendo’s videogame consoles as a whole to a particular console, such as the Wii.

**Sources:**