

# The Business Management Model and Marketing Strategy of Nintendo

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## **Abstract:**

Nintendo is a gaming company that operates in the international market and is well recognized because of the innovation that it has incorporated in its hardware and software. While competitors like Sony and Microsoft are targeting quality performance of game consoles, Nintendo is defining and developing novel methods how game console can provide great and healthy entertainment for families and people of all ages. This paper seeks to analyze Nintendo's business management model and the marketing strategy with special reference to the application of the Nintendo company to the 4P Model: Product, Price, Place, and Promotion. This research provides a real life analysis of Nintendo's products; pricing, reach the world market and promotions to illustrate how the firm continues to perform well despite the challenge of technological advancement and restricted product offering. Further on, the paper discusses the threats that affect Nintendo, for example rivalry with Sony and Microsoft, and explains how Nintendo can minimize these threats by applying recommendations in the form of implementing strategic alliances, technology enhancement, and revenue diversification. This way, they can sustain themselves and constantly adapt to the change in the marketplace, such as with third party companies and mobile gaming and Augmented reality.

**Keywords:** Business management; Marketing; Nintendo.

## **1. Introduction**

Nintendo has been a key factor in the international video games industry for many years, and the firm has always demonstrated remarkable ability to innovate and create. With the developments of technology and the changing consumer habits, the industry's

competitive environment has become more saturated and thus more challenging. Today the gaming industry can be described as relatively fast-paced and innovative in terms of powerful hardware, game experience, and digital services with the leaders such as Sony and Microsoft in terms of PlayStation and Xbox [1]. However, while these competitors are

stressing high-technology, Nintendo always kept a different approach, stressing on user satisfaction, game play angle, and ease of use rather than the computational power. This unique approach has enabled Nintendo to create its own market and this comes with a number of drawbacks especially given the current trend where high performance capabilities define the market [2]. Therefore, this study will employ Nintendo Switch as a case study to explore the aspects of business management model and marketing strategy.

The main purpose of this research is to understand Nintendo's strategic position and its marketing strategies in the light of the growing competitive gaming market. More specifically, this research focuses on the marketing mix that Nintendo uses, namely the 4 P's (Product, Price, Place, Promotion) and how the company addresses some of the threats and challenges like competition, technology, and product. Analyzing the strategy followed by Nintendo also helps in explaining the firm's continued success but also exposes the challenges and possibilities of sustaining its dominance [3]. The importance of this research is based on the identification of the future trends and the possibilities of the further application of Nintendo's specific approach to strategic management to manage the current and future issues in the highly competitive video game industry. This research considers Nintendo's creative strategies and market positioning in an effort to understand how the firm might further innovate and adapt to new technologies and competitors. Knowledge of these strategies is essential when trying to assess Nintendo's ability to not only maintain success but also to address future issues in a dynamic market.

This research will utilise a combination of literature review, text analysis and comparative analysis. A survey of Nintendo's business strategies and the general gaming industry will be conducted through the use of secondary data in the form of scholarly publications and market reports. The structure of this essay is as follows: First, the 4P model is employed to identify Nintendo's product portfolio, pricing, place and promotion strategies. Next, the major risks and challenges such as competition from Sony and Microsoft, the limited product offering and technology are discussed. Last of all, the possible solutions to these threats are highlighted with a view of providing a glimpse of how Nintendo can continue to maintain its competitiveness in the shifting video game industry.

## 2. 4Ps Model of Nintendo

### 2.1 Product

Nintendo has always been a pioneer in the gaming in-

dustry especially in aspects of innovation, creativity and the user. Among those well-known products, Nintendo Switch, The Legend of Zelda, Mario Kart, and Animal Crossing have been well-received by the players and distinguished by their attractive features [4]. Whereas companies like Sony and Microsoft focus on the power of the console and graphic quality, Nintendo has time and time again brought games that were fun and creative rather than technologically advanced. It targets all categories of users, both occasional and frequent players of video games.

Nintendo's current product offerings are unique hardware, multiple game products, famous IP content. On the hardware side, the Wii with motion controls, and the Switch which is both home and portable gaming, have changed the way games are enjoyed. Nintendo's game catalog consists of iconic IPs like Super Mario, The Legend of Zelda, and Animal Crossing suitable for players across different generations. These games and in addition to constant updates and sequels help keep their IPs vibrant and interesting. Here, creative hardware is matched with long-standing game franchises, which form a distinct gaming environment for the casual and hardcore audiences, making Nintendo stand out in the highly competitive video game industry [5].

### 2.2 Price

Another major aspect of Nintendo's strategies is its pricing policy, which is mostly value-based pricing model. The company maintains premium pricing on its hardware, such as the Nintendo Switch, and its first-party titles, like Super Mario Odyssey and The Legend of Zelda: Breath of the Wild, do not get great discounts even after the years of their launch [6]. This is evident in Nintendo's strategic planning since it has faith in the longevity of its products and the brand.

Nevertheless, Nintendo has also employed the tiered pricing strategies where it has launched different variants of its gaming consoles like the Nintendo Switch Lite which is comparatively affordable and hence appeals to a wider range of consumers. This has been helpful in boosting the sales among the various segments of the market including the hardcore gamer who would be willing to spend for the flagship model to the casual users who would be interested in the more affordable models [7]. Nintendo also applies the bundled pricing strategies where consoles are packaged with games to increase their value particularly during the festive seasons. While Nintendo's products are priced comparatively higher than some of its counterparts, it has been keen to assert that the extra cost is for the added value of the ideas and the experiences that the company brings to the market [8].

## 2.3 Place

Nintendo's international activities are focused on North America, Europe, and the Asia-Pacific region through both online and offline distribution networks. In offline, Nintendo collaborates with major retail stores in North America including GameStop, Walmart, and Best Buy to guarantee convenience. In Europe, the marketing and distribution strategies are employed with translation to the local language and the establishment of regional warehouses [9]. In the Asia-Pacific particularly in Japan, Nintendo's products are socially constructed. There is also distribution and dealer network in other markets such as South Korea and Australia, thereby improving market reach. Online, Nintendo uses the Nintendo eShop that is a digital store for buying games and services that is available in all the global markets and is promoted through various channels [10].

## 2.4 Promotion

Nintendo's promotional techniques are unique, and include partnerships, online advertising, and events. For example, Nintendo Direct is a much-awaited broadcast where the company speaks to its consumers about new release, updates, and exclusives. This direct-to-consumer approach creates anticipation and encourages the target group who are the gamers to interact with Nintendo and strengthens the bond between the company and its consumers [11].

Nintendo also uses social media marketing to create relationships with the consumers using various social media sites for marketing such as twitter, Instagram, and YouTube. These platforms are used for viral marketing by the company to announce new games, show latest game demos and encourage community activities such as sharing of maps, mods, models and artwork among others. In this case, Nintendo also employs the use of cooperating with third parties to advertise its products. For instance, LEGO and Universal Studios collaborations have resulted in LEGO Super Mario and Super Nintendo World which goes beyond the conventional gaming market [12].

Another important part of Nintendo's promotion is the nostalgia marketing. This way the company skillfully appeals to the nostalgia feelings that customers have towards its evergreen brands such as video games Super Mario, The Legend of Zelda and the animated TV show Pokémon [13].

## 3. Threats and Issues

### 3.1 Competitors: Sony and Microsoft

Nintendo faces intense competition from two major gaming industry giants who are Sony and Microsoft, dominating the market with their PlayStation and Xbox series. These competitors offer powerful PC gaming hardware and a wide range of multimedia options for the players willing to invest in it. What sets Nintendo apart is creativity, family entertainment, and easy accessibility; however, Nintendo may find itself pushed aside as trends shift towards performance technology. While Sony and Microsoft are able to offer a broad range of gaming experiences through services such as PlayStation Plus and Xbox Game Pass, Nintendo may struggle to do the same due to its reliance on its flagship console and first-party games. The company's console, for example Nintendo Switch may not be able to meet new and complex higher end games that consumers are likely to demand in a market that is shifting towards greater technicality [14, 15].

### 3.2 Limited Product Range

Another weakness of Nintendo is that the company has a limited portfolio of products, which makes it difficult for it to sustain its competitive advantage. Although the company has exclusive franchises such as Super Mario, The Legend of Zelda, and Animal Crossing, it has far fewer third-party games than Sony and Microsoft. This limited choice hinders it from capturing a wider market particularly gamers who prefer to play games from different genres such as action, role playing and sports games that are common on PlayStation and Xbox [6].

Nintendo is concentrated on a narrow range of products and depending on some leading game brands and this factor weakens the company's ability to adapt to market conditions. Despite these franchises having loyal fan bases, these platforms do not appeal to new customers or offer a diverse range of gaming experiences as is offered by other platforms [16].

Also, the company's emphasis on family entertainment can be a drawback at times. Although this strategy has worked well in reaching out to the casual gamers, the absence of the kind of games that are graphic intense and are preferred by the core gamers makes it difficult for Nintendo to penetrate deeper into the high end games market. This means that Nintendo offers a much limited range of experiences to the consumer as compared to its competitors [17].

### 3.3 Technological Constraints

Lack of technology has always been a feature of Nintendo, but also a problem in the past and even in the present. Although the company was focused on the development of gameplays rather than the power of hardware, this decision sometimes results in rather serious technological losses in comparison with other companies. The Nintendo Switch while being a unique hybrid console does not possess the graphical grunt and computational power to match the 4K resolution and high frame rates offered by the PlayStation 5 and Xbox Series X [3].

This technological disparity could potentially become a problem for Nintendo in the future when the game market demands high definition graphics and high-end performance. Technologies like VR, cloud gaming or even game creation with AI are slowly entering the mainstream and while both Sony and Microsoft have been working on these technologies Nintendo has not been as active. The firm's failure to embrace and invest in new technological solutions may someday push away one segment of its consumer base, namely those who crave the newest generation of video games [18].

## 4. Addressing the Issues

### 4.1 Expanding Third-Party Collaborations

Among the most successful strategies that can help Nintendo to solve the problem of the limited number of products that can be produced is the increase in cooperation with third-party manufacturers. If Nintendo managed to establish better relations with the core developers in the industry they would have a chance to acquire more of the popular high-performance games. It would also assist in attracting more of the hardcore gaming demographic as well as increasing the general appeal of the consoles so Nintendo is better equipped to compete with Sony and Microsoft [19].

The lack of third-party AAA games on the Nintendo Switch would be offset by increasing the number of games such as Call of Duty, FIFA, and Assassin's Creed, in between the hardcore first-party Nintendo games and the more diverse needs of the gaming population [17]. Besides, partnerships with independent developers might also assist in expanding the range of games offered and therefore give users more varied set of games, including the minority, the experimental, and the innovative games that are usually present on other platforms.

### 4.2 Improving Technological Capabilities

Nintendo has already made some attempts to solve the

problem, the most significant of which is the release of the Nintendo Switch OLED model that has a more vibrant picture. Although, this upgrade did not improve the overall performance of the system in terms of the hardware [20]. As for the future development, Nintendo should consider an idea of launching the next generation console that would compare with competitors in terms of powerful performance, storage and graphic display.

Nintendo has been very reluctant to adapt to new technologies in the past; it may be wise to strike a balance between making games more innovative and having advanced machines to compete with Sony and Microsoft. A more powerful console could allow the company to support such features as 4K resolution, ray tracing, and VR integration as a foundation for the next generation of games without losing sight of the company's identity and the fun factor [2].

### 4.3 Diversifying Revenue Streams through Services

Another strategy which Nintendo should employ to enhance its position in the market is to add on the services it is providing. Today, the Nintendo Switch Online service offers only a few retro games, internet connection capabilities, and a cloud saves [1]. If Nintendo develops this service into something akin to Xbox Game Pass or PlayStation Now, then it would be possible to construct a comprehensive digital ecosystem that can be of added value to the consumers while also acting as an additional revenue stream for Nintendo as well.

An upgrade of Nintendo subscription service that will incorporate a larger catalogue of modern games, special content and maybe even a cloud gaming platform will however fit well in the current service-oriented gaming market. Due to the shift of consumers towards the subscription based services, Nintendo could provide a more valuable service and thus attract more consumers and earn stable revenue.

### 4.4 Innovating Beyond the Console

Last but not the least; Nintendo is in a position to diversify from the conventional console gaming. The recent mobile games such as Pokémon GO and Mario Kart Tour are examples of how the company can target other demographics apart from console users [16]. Here, Nintendo could expand its position of mobile gaming and augmented reality (AR) technologies to expand its revenue streams and stay ahead of the curve in the gaming industry.

The use of AR and the development of this technology as a feature in mobile games can be useful for Nintendo to remain competitive in an industry that is ever-growing.

Therefore, Nintendo can maintain the market share and expand the consumer base by providing new opportunities for the games based on the combination of the real and virtual environments, which is impossible for other companies to do while basing their activity only on consoles or PC-based gaming.

## 5. Conclusion

The paper has looked at Nintendo's business management model and its marketing strategies in relation to the 4P model, and a detailed analysis of Nintendo's products, prices, place, and promotion. Nintendo's focus on innovation and user experience has put it in a different league from rivals such as Sony and Microsoft, who pay much attention to the high-performance hardware and many multifunctional features. However, Nintendo has threats such as poor third party games, technological barrier, and competition from other giant industries players offering subscription services and better technologies. Some of the weaknesses of this study include the fact that the study only used secondary data, thus, this may not have captured the latest trends or the insiders' views of Nintendo's strategic moves. Further, the analysis is done in a way that it may not cover all the effects in the case of new technologies and trends in the market. Further research could be done to elaborate on the future changes in Nintendo's strategies in light of new technologies and changing consumer behavior. This could be complemented with how the company is preparing to apply new technologies like augmented reality and cloud gaming to the gaming industry which could give more information on how Nintendo intends to adapt to the changing environment.

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