

Peak of popularity a wistful memory for Wii

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Wii

At Next-Gen Video Games, it has been two months since a customer bought a Nintendo Wii, the console that became a sensation for letting players swing a virtual tennis racket or steer a virtual car with a flick of the wrist.

Owner Jeff Bryson has three on hand for the holiday season, significantly fewer than last year, and he's not even sure he'll find buyers for those.

"The Wii has really slowed down," Bryson said on a recent evening in his Los Angeles store. "It's tough to sell."

Just three years ago, Nintendo Co.'s video-game device was nearly impossible to find, as hard-core gamers clamored for it along with novices, including families with young children and grandparents drawn to its easy-to-use wand. From January 2007, just after it launched, until last May, the Wii was the top-selling game console nearly every month in the U.S.

But things have taken a decided turn. The Wii fell to No. 3 from No. 1 this year, with U.S. sales down 24 percent in the first 10 months compared with the same period in 2009. Sales of Microsoft Corp.'s rival [Xbox 360](#) are up 34 percent, and Sony Corp.'s [PlayStation 3](#) has risen 15 percent.

Games for the device are on a similar downward slope. [Electronic Arts Inc.](#) recently told investors that Wii game sales outside of Japan fell 34 percent in the recent quarter and are expected to be "down sharply" for the full year. Many who have bought a Wii appear to be letting it gather dust rather than buying new games.

"The success of the Wii has been bound in large part to people who enjoyed it as a fad and have now moved on," said Marc Jackson, chief executive of video-game finance and consulting firm Seahorn Capital.

Makers of successful consoles such as Sony, with the PlayStation 2, made their biggest profits from royalties on games made by other publishers for their device. Nintendo isn't seeing the same benefit. That's one reason the Japanese company recently slashed its revenue forecast for the current fiscal year by 21 percent.

"The success of the Wii was amazing, but as of late the company is not profiting from that success," said Matt Jacobs, an analyst with ITG Investment Research.

The Wii's dominance before 2010 can hardly be understated. After Nintendo's last console, the GameCube, lingered in third place, the company shocked many in the industry in 2006 with the Wii, which was less powerful than competing machines but introduced a motion-sensing wand instead of relying upon the traditional pressing-button controller. It was an immediate hit, selling 74 million units worldwide.

That success came largely from an untapped market: infrequent game players. But infrequent game players by definition don't make for repeat customers when it comes to buying new Wii games. Their attention has also turned to online social games such as "Farmville."

Nintendo of America President Reggie Fils-Aime noted that despite the downshifting momentum, the Wii has in total sold far more units and games than its competitors.

He also asserted that there is still a significant market for Nintendo devices. "The back half of any system cycle always attracts a higher proportion of buyers who are concerned with price, ease of use and group play. ... This late-adopter group is the next audience for the Wii," he said in an e-mailed statement.

During the week of Thanksgiving, Nintendo sold 600,000 Wiis in the U.S., up from 550,000 in 2009.

At the same time, [Microsoft](#) and Sony are targeting that market with new accessories for their consoles. Microsoft's Kinect, which has a camera that tracks players' movements and doesn't require a controller, has sold more than 2.5 million units in less than a month. It's nearly impossible to find on store shelves and is going for as much as \$250 on eBay, compared with a retail price of \$150.

Nintendo's Fils-Aime also predicted at a recent investors conference that

game sales for the Wii would pick up during the holiday season. There are a handful of new high-profile titles for the system, including Nintendo's "Donkey Kong Country Returns," Disney's "Epic Mickey" and THQ's "Udraw," a tablet for the Wii on which players can draw for games like Pictionary.

"If you make unique and innovative games that speak directly to the Wii audience, you can succeed," said Brian Farrell, CEO of THQ.

Most outside game publishers have all but given up on the system, however. EA and Activision Blizzard Inc., the two biggest in the U.S., now emphasize to investors that they are focusing on games for Wii's competitors.

"The industry's interest in the Wii has been like a roller coaster," said Joe Minton, president of DDM, an agency that helps sell the game studios' ideas to game publishers. "First they ignored it, then there were a few successes and they all tried to get on it. Then a lot of games failed and so there has been a pullback."

Nor are game developers themselves overly eager to focus on the Wii.

"When you have an original idea, you want the best platform with the most cutting-edge technology to showcase it," said Jason Alejandro, president of Tarzana-based [Game](#) Mechanic Studios. "That's one reason most developers prefer not to work on the Wii."

In a recent research note, Cowen & Co. analyst Doug Creutz predicted Wii sales would continue to slump and said it "is likely to remain a drag on overall software sales over the next year."

But industry insiders say it's a mistake to count Nintendo out. This winter the company will debut the 3DS, a mobile 3-D device that was a

sensation at the E3 industry conference. "The 3DS will sell like crazy," predicted game-store owner Bryson.

And though it's not clear how Nintendo will escape its spiral in the console business, the company has faced such doubts before.

In early 2006, with the GameCube struggling and the [Wii](#) raising eyebrows for its funny name and lack of power, some in the industry said Nintendo should abandon the console business altogether. They were soon eating their words.

"Nintendo is contrarian by nature, and they always seem to have a longer-term plan than their competitors," Jackson said. "I'm sure they're figuring out what to do next, and it's going to surprise everyone."

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