

# Holidays key test for Nintendo as Wii U struggles

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In this photo taken Sunday, Dec. 15, 2013, shoppers take escalators under the logo of Nintendo and Super Mario characters at an electronics store in Tokyo. This holiday season Nintendo faces a critical test with its Wii U video game console that is pitted against Sony's PlayStation 4 and Microsoft's Xbox One as it seeks to revive flagging sales. (AP Photo/Shizuo Kambayashi)

This holiday season Nintendo faces a critical test with its Wii U video game console that is pitted against Sony's PlayStation 4 and Microsoft's Xbox One as it seeks to revive flagging sales.

Analysts say there's a chance for the Kyoto-based company to stage a turnaround as new game releases such as Super Mario 3D World and Wii Fit U could lift Wii U sales. Should lackluster sales persist, the company which shot to prominence in the 1980s with Family Computer consoles and Game Boy portables might be forced to reconsider the core of its business strategy.

Nintendo's business, long associated with the hit Super Mario, Donkey Kong and Pokemon games, has been shaken in recent years as more people play games on their smartphone and tablets. So far Nintendo has been steadfast in its refusal to adapt games for those devices.

The company reported an 8 billion yen (\$81 million) loss for the three months ended Sept. 30. Quarterly Wii U sales nearly doubled to 300,000 units from 160,000 in the previous three months, but cumulative sales remained far short of the company's goal of 9 million units for the financial year ending March 2014.

Eiji Sato, analyst at Toyo Securities, said Nintendo needs "killer content" for the Wii U to turn around its business after a weak lineup of game titles added to its woes. That has caught the company in a vicious cycle because developers are reluctant to create games for a poor-selling console.

Most game creators are also pouring resources into mobile games, which are easier and faster to develop compared with those for home game consoles that take more time, energy and expense due to the need for higher quality graphics, said Sato.

Nintendo's management principle has been to increase the population of gamers in the general public. When its strategy works, Nintendo wins big as it did with the motion-sensing Wii in 2007, Sato said.

The Wii U, the successor to the original Wii, reached cumulative global sales of 3.9 million units at the end of September since its launch over a year ago. In contrast, sales of Sony's PS4 reached more than 2.1 million after going on sale Nov. 15. More than one million Xbox One machines were purchased on the first day of sales in 13 countries on Nov. 22.



In this photo taken Monday, Dec. 16, 2013, a shopper try out Nintendo 3DS at an electronics store in Tokyo. This holiday season Nintendo faces a critical test with its Wii U video game console that is pitted against Sony's PlayStation 4 and Microsoft's Xbox One as it seeks to revive flagging sales. (AP Photo/Shizuo Kambayashi)

The arrival of the PS4 and Xbox One leaves Nintendo in a "bad place in the console world," said Steve Boxer, a game reviewer for The Guardian and an avid gamer.

"If I was Nintendo, I would be thinking very hard about some means of damage limitation."

On the latest Super Mario 3D World game, Boxer said it is a "very good game with classic Mario-type platform game action, but it doesn't feel like it's something new and fresh."

But Hirokazu Hamamura, president of gaming magazine publisher Enterbrain, said the PS4 and Xbox One consoles are flying off the shelves because their core fans waited up to eight years for these new consoles to come out. And he said their release was accompanied with strong [game](#) software.

What has been happening to the Wii U is very similar to the Nintendo's experience with the 3DS, said Hamamura.

The popular Nintendo handheld device had a suggested retail price of \$249.99 in the United States when it first became available in March 2011. After weak sales, Nintendo slashed the price to \$169.99 in August of that year.

Strong software titles such as Mario Kart and Monster Hunter ensued and "3DS sales exploded," said Hamamura, who points out that Nintendo now has a pipeline of unreleased games for the Wii U.



In this photo taken Sunday, Dec. 15, 2013, shoppers walk under the logo of Nintendo and Super Mario characters at an electronics store in Tokyo. This holiday season Nintendo faces a critical test with its Wii U video game console that is pitted against Sony's PlayStation 4 and Microsoft's Xbox One as it seeks to revive flagging sales. (AP Photo/Shizuo Kambayashi)

Since Sept., the Wii U's recommended retail price has been reduced to \$299.99 for the 32-gigabyte model in the U.S. It was \$349.99 when it debuted in November last year.

Another price cut is a strong possibility for the Wii U if sales stay sluggish, said Sato, the Toyo Securities analyst. Nintendo has 460 billion yen in cash (\$4.4 billion) and is prepared to survive a bad [sales](#) year or two, he said.

Still, some say it's time for Nintendo to change rather than take comfort in its big cash pile.

"Nintendo should broaden its revenue stream in order to grow," said Tomoaki Kawasaki, senior analyst at IwaiCosmo Securities.

Nintendo has strong software, with hit titles like Super Mario and Zelda, so it may be prudent to make that content mobile while preserving Nintendo's style, he said.

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