

After Pokemon, where does Nintendo go?

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If you're like millions of other Americans, you've spent much of your last week or so playing Pokemon Go.

But will it lead you to buy other Nintendo games or its next [game](#) console that will hit store shelves next year?

That's the multibillion-dollar question facing the venerable [video game](#) vendor after the runaway success of the augmented reality game that it helped conceive and which was developed by a company it partly owns. Down in the dumps for years, Nintendo desperately needed a success like Pokemon Go. But it's anyone's guess whether and to what degree the Japanese game-maker will be able to capitalize on it.

"It's great to have a nice hit that gets all this attention around you, but it needs to be part of a long-term strategy," said David Cole, president of DFC Intelligence, a [game industry](#) consulting firm.

The company is getting different advice on what that long-term strategy should be. Seeing how well Pokemon Go has done, it could make a bigger effort to produce other mobile games. Or Nintendo could try to use the game as a marketing opportunity to reintroduce itself to consumers and lure them into buying its own proprietary game machines. Either way, the company faces both challenges and opportunities.

Meanwhile, there's the risk that Pokemon Go will prove to be a passing fad that fades away as quickly as it emerged.

"This is going to be a huge learning experience for them," said Billy Pidgeon, an independent market researcher who covers the [video game industry](#).

Released early this month, Pokemon Go quickly became a multinational phenomenon. Built around the idea of capturing the popular Pokemon characters in real-world places, it quickly jumped to the top of the charts in terms of downloads and sales.

The rapid success of Pokemon Go sent Nintendo's stock soaring by some \$7.5 billion. But it's unclear just how much Nintendo is actually benefiting from the game. The game is free to download, but users can purchase game coins which they can use to buy items like extra balls, which are needed to catch characters.

Nintendo has an exclusive license to make Pokemon games. Meanwhile, it owns an unknown portion of Niantic, a Google spinoff that designed the game, and 33 percent of the Pokemon company, which owns the Pokemon characters.

If the game took in \$500 million in total sales, Nintendo might see \$100 million of that, after apportioning shares to Pokemon, Niantic and Google and Apple's app stores, estimated Michael Pachter, a financial analyst who covers the game industry for Wedbush Securities. And Pachter doesn't expect the game to rake in that much money.

Still, Nintendo could use all the help it could get.

Toward the end of the last decade, the company looked like an unstoppable force. With its DS handheld system and then the Wii game console, it correctly bet on a shift to easier-to-play, more accessible games that could appeal to a wider audience than traditional gamers. Thanks to the huge success of those two devices, the company's sales

more than tripled from 2006 to 2009.

But the company has misfired badly since then. As casual games shifted to smartphones and tablets and online multiplayer features became a must-have on console games, the company resisted and largely missed out on both trends. Its sales have fallen for seven straight years and last year were less than what the company posted in 2006, before the big run-up to the Wii.

That's why *Pokemon Go* is so important to the company. It's not only one of the company's few bright spots in recent years. It also shows that the company's properties still have value, and Nintendo still knows how to create hits.

But where does the company go from here? The seemingly obvious answer, given its struggles to sell game devices and the huge number of smartphones in use, would be that the company should churn out more mobile games using iconic characters like Mario and Zelda.

The problem is that mobile games are a tough business. Few consumers want to pay upfront for games, and few games can convince a sizable portion of customers to pay for add-ons. And the video game industry is littered with companies that crashed to earth after abandoning their own hardware businesses to focus on software.

That's why some analysts think Nintendo should use [mobile games](#) as a means to an end, luring in customers to buy its game machines, most notably the new NX console, due out next spring.

However, that strategy is fraught as well. It's unclear whether Nintendo will ever lure back the kids who might have played games on a DS or adults who played *Wii Sports* to buy another Nintendo game machine now that many of them have moved on to smartphones and tablets.

Given the company's diminished fortunes, it may be hard for it to weather another big bust like the Wii U, the successor to the Wii.

But don't count Nintendo out. It's been left for dead before and bounced back.

We'll have to wait to see how things play out, noted Joe Spiegel, founder of Dalek Capital, an investment firm that has long owned Nintendo shares. But, he added, the [company](#), "has a great library of characters that people really like and titles people really like, and that has tremendous value."

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