

BY DAVID AAKER AND SATOSHI AKUTSU

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# Nintendo: Japan's Brand Story of the Decade



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The story of Nintendo's business strategy and brand is nothing short of astounding. The brand's success is documented by Brand Japan, an annual survey of the strength of more than 1,000 brands in the Japanese market as reflected by consumer perceptions along dimensions including loyalty, quality, stylishness, warmth and innovativeness. During the 10 years that Brand Japan has been conducted, there has been remarkable stability in the cast of characters occupying the top two dozen positions in the survey—but Nintendo is a rare exception.

In the 2005 findings, Nintendo ranked 135th in the survey. Its status rose to 67th in 2006, leapt up to 7th in 2007, and finally jumped to No. 1 in 2008 and again in 2009. This year Nintendo's rank fell—to 14th—but it still holds a place in the top 15. Nintendo's business success during the rapid uplift was reflected in the stock market: From 2004 to 2008, its stock price went up more than fivefold and at one point, its market capitalization was behind only Toyota in Japan. What drove this performance?

The products clearly drove Nintendo's recent success. Nintendo DS, released in December 2004, is a compact portable game console characterized by an intuitive touch-pen method. Its game titles, such as "Nintendogs," "Animal Crossing" and "Brain Age," are aimed at a wide target market including young females and seniors. Nintendo DS was a mega-hit, reaching its worldwide accumulated sales of 26.8 million units in less than two years. The Nintendo DS sub-brand was so successful that it ranked among the top six brands in Japan in 2008, 2009 and 2010. Having a sub-brand listed in Brand Japan's top six was unprecedented.

Then came Wii, a new game system that incorporates the user's movement, allowing the user to dance, golf, box, play a guitar and so on. Users can compete against opponents in other rooms or houses—or even in other countries. Introduced in December 2006, Wii reached nearly 30 million units sold by mid-2008, nearly as many units as Sony's PS3 and Microsoft's Xbox combined (33.4 million). Within a year of its introduction, Wii already was a top 60 brand in the Brand Japan survey. In 2009 and 2010, it became a top 20 brand—meaning that out of 1,000 Japanese brands, three of the strongest were Nintendo brands. A constant parade of branded features and new games provides ongoing energy and

competitive advantage for both Wii and DS, and for the Nintendo brand as a whole.

What's behind Nintendo's innovation success? Why has it been able to beat formidable competitors such as Sony and Microsoft? Four interrelated explanations reflecting both strategy and execution are instructive:

## 1. Move away from competing on high-tech innovation.

Nintendo recognized that Sony and Microsoft have equipment that has better technology—higher performance, higher resolution and higher quality—that appeals to the heavy users, namely young males. That meant that Nintendo would have to find a different course, a low-tech route, and attempt to exploit the fact that more technologically advanced machines tend to be higher-priced and more complex to write programs for. Nintendo has reached back to its heritage as a simple toy maker and decided to focus instead on involvement and fun.

## 2. Target a different, broader market.

Nintendo decided to refocus the target population away from the hardcore young males who were into action games and high-quality graphics toward a broader audience. The key for this group is a wide array of easy-to-use games that move beyond the action genre and include some learning vehicles. One goal is to have mothers become participants and advocates rather than cynics and opponents. Another is to involve the whole family. The strategy is unconventional: Instead of focusing on the heavy users and trying to beat its competition, Nintendo defined new categories for which competitors are less relevant.

## 3. Employ a talented product design group.

Nintendo has been blessed with a talented group that is good at creating games and

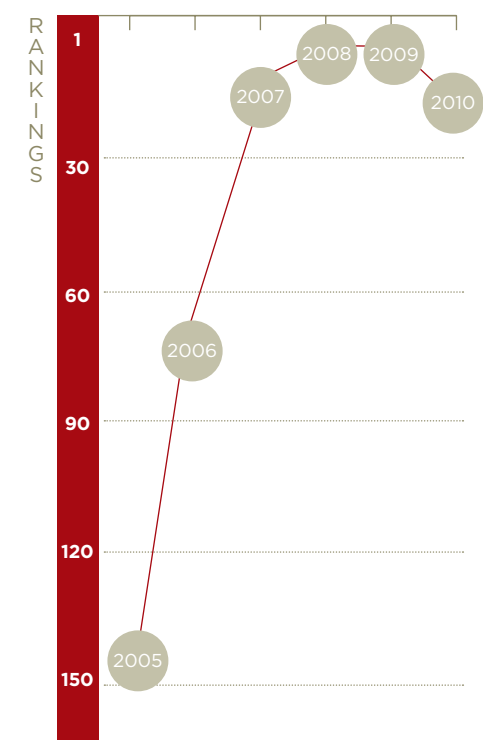
has a three-decade-long track record of doing so. The new targeting strategy liberated this group to be creative and fulfill its potential. Both DS and Wii have a host of games that appeal to a wide range of family members. In fact, the Nintendo consoles' game titles created a new market categorized as "casual games": video games that require less skill and experience, and are characterized by simple and intuitive rules. The new casual game category went from 1% of the market to more than 20% by 2005, according to a study by Enterbrain Inc., a Tokyo-based gaming magazine publisher.

## 4. Hire a new CEO.

At the outset of Nintendo's new strategy, a young, energetic, entrepreneurial CEO named Satoru Iwata was brought in. He was able to gain acceptance and generate excitement around the new strategy, and marshal the talent needed to implement it.

After nearly five years of brand and market success, Nintendo now faces competitors who are mounting a formidable response, as well as the economic recession coupled with a strong yen, but the ongoing strength of Nintendo's three brands—DS, Wii and the Nintendo brand, itself, all still in Brand Japan's top 20—provide a solid platform on which to build. **m**

Brand Japan's annual survey results for Nintendo's rankings



For more lessons from Brand Japan's top brands, read "Japan Builds Brands to Last" and "Why Are Strong Brands Strong?" To access both columns and more insights from David Aaker, visit MarketingPower.com/marketingnews and click on "featured contributors."