

Article

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Research on Nintendo's Strategic Transformation and Challenges During the Pandemic

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Abstract: During the period of epidemic, many companies are facing the dilemma of transformation, and Nintendo is one of them. Many reasons lead company to make changes that will help Nintendo create a new module of business, such as a creative environment, active partners, clear policies and a good working environment. However, the chances of development will also with negative side, leaders need to consider how to better manage new suppliers, how to ensure their costs and how to handle relationships with competitors and shareholders. Also, new online marketing needs to be considered when the customers prefer stay at home rather than go to the store to buy. The shortage of manpower after layoffs is also a problem that needs to be considered and resolved. Nintendo's stakeholders hold the different considerations from different perspectives, and can obtain related benefits to varying degrees during Covid-19. It is commendable that electronic devices were used online, electronic equipment and networks can help Nintendo's global branches to communicate and determine the interaction between development plans and customers. It is important to explore customer demands and balance the relationship between online games and switch games. In general, during this period, Nintendo Switch faced an important challenge to make decision on how to take the company further.

Keywords: Nintendo business transformation; pandemic impact; online marketing strategies; supply chain management

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1. Introduction

Under the background of the Covid-19, many companies fall into bankruptcy and others have to consider the changes in the business. It may face lay off employees and new methods to manage the team. In the meantime of the Covid-19, the game industry has to be mentioned and Nintendo.co is one of the most profitable game companies. The stock of Nintendo has reached its highest price in recent years (Nintendo.co.jp 2020) as the sales of game consoles and games increased significantly. The governments limit social distance for the citizens and the number of shops needs to be closed. Since politics like job keeper in Australia guaranteed the lives of most people, they have to stay at home for a long time. Playing video games is the best choice at that time and Nintendo Switch is one of the best choices between the different game consoles, especially that Nintendo.co published the new game named 'Animal Crossing' at March 2020.



Figure 1. The store often Nintendo.

(Source: Nintendo's Tokyo store isn't large enough for its fan base, 2020).

However, Nintendo.co still needs to change because the epidemic of Covid-19 has some impact on the activities of the video games, equipment raw material supply and new game development. I need to think about problems to adapt to change from the perspective of a leader. When Covid-19 is over, people will spend less time at home, so the demand for consoles and games will also decrease. As some games activities cancelled, then Nintendo needs to consider how to promote their new games and new IP for the games. The Covid-19 epidemic has caused a shortage of raw materials in Vietnam factories, and Nintendo switches are in short supply. Otherwise, Nintendo can get more benefits during this time, so how to solve the shortage of the raw materials and how to control the employees of the factories are the main issues in the video game market in the Covid-19 epidemic. It is also necessary to develop new games to attract more customers and sometimes a successful game may make customers buy a game console to increase Nintendo's sales. Since the physical game store must be closed, people are more inclined to choose the digital version of the game, so after the reopening, the physical store may face permanent closure. The lay off of employees and reduced physical game store are the significant problems that need to be considered when Nintendo needs to change their strategy in future development after the Covid-19 (Company 2020).

2. Factors That May Drive Change

Before analyzing the convenience of the project and its future development, it is necessary to list the factors in different perspectives that may promote project changes. Generally speaking, for Nintendo, three things need to be changed in the following:

2.1. *The Focus of Promotional Channels Needs to Change*

According to the news that some game activities have to be cancelled because the politics of Covid-19 limit the Large gathering. Nintendo has to use some new methods to promote their games and character image, for example, build a theme park and make cartoon movies of their character image.

2.2. *Raw Material Supply and Product Output Require New Plans*

Due to transportation obstructions, Chinese raw materials could not be shipped to foundries in Vietnam and elsewhere, so some factories had to stop working. Unable to produce a large number of game consoles. When looking for new raw material suppliers, some factories continued to work hard to meet demand during the epidemic. However, after relaxing the restrictions, Nintendo needs to more clearly determine the market's demand for game consoles and make timely production changes to avoid slow sales and normal capital circulation (Francis 2020).

2.3. Release New Games and New Technologies

To deal with market competition, Nintendo needs to develop more new games to attract more customers to buy its products. At the same time, adding new technologies to game consoles is also an important change that needs to be considered. If Nintendo wants to increase its market share, it should develop its technology and features.

The creativity environment can motivate the team to change and the motivation of the Nintendo team is that helping Nintendo develops well can guarantee their salary (Morriss 2020, p.150), while the number of people loses their job during the Covid-19. When employees have to stay at home to work, they may feel the release and willing to think about new games and cartoons. To build a theme park or make cartoons need designers' emotion to be positive, so they can attract more customers to entertaining. At the same time, the costumers also have to stay at home, so their requirement of new games, movies and parks can stimulate the Nintendo team to create.

The organizational policies usually limit the decision from the leader or decision-maker, it constraints the leader's behavior by reminding them to reward and motivate their team (Morriss 2020, p.67). In terms of equity distribution, Nintendo's organizational policies can provide incentives for shareholders (Nintendo.co.jp 2020). By 2020, sales have reached 400% of the expected (spglobal 2020). Therefore, when shareholders receive high dividends, they will also be willing to increase investment to promote or develop.

Under tremendous pressure, games and cartoons will become a way for people to reduce stress. At the same time, leadership style is also related to Japanese culture. Overly organizational culture may unmotivated employees (Morriss 2020, p.168), while the national culture of Japanese always remain humble and can avoid many unnecessary conflicts. As the project manager of the team, it must manage the team members according to certain cultural background and real-time dynamics. Leadership style requires constant change. The situational leadership will be helpful to manage the change team, especially during the Covid-19. This model can illustrate the role of the leader in the team, in the process of change, it will be difficult to choose the specific leadership style or attitude, and the leader needs to use a different way to treat different team members as they have their personality.

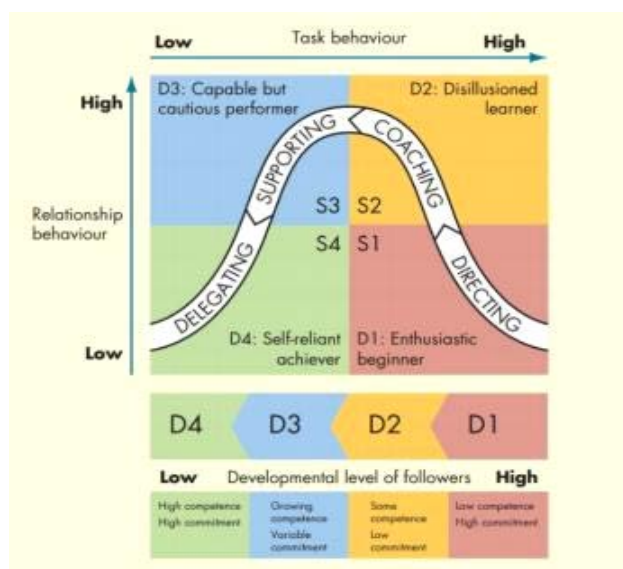


Figure 2. The situational leadership theory.

(Source: Project leadership and communication 2020, p.282).

The widespread use of the Internet and social media also promoted the transformation of the project. For Nintendo, in the case of travel bans, leaders from different regions can hold meetings via the Internet to promote exchanges between various departments. At the same time, different project members can share files through the network and complete the project together. Social media is also a good way of publicity, interacting with customers can also understand customer needs. In addition to actively sending information, Nintendo can also receive information through social media (such as current real-time dynamics) to ensure that the company can respond as quickly as possible in different situations. According to the social-learning theory, team members also can learn some new knowledge through the internet by their observation (Morris 2020, p.172).

3. Factors That May Hinder Change

Many factors hinder Nintendo from making changes, especially cost issues that must be considered in the project. Suppliers of building theme parks, making cartoon movies and replacing raw materials have virtually increased a lot of costs. Compared with the expected benefits, the leader can sort these changes in the order of importance and can discard later important changes.

To increase the company's market share and maintain high competitiveness, the Nintendo team has been committed to the development of new technology for game consoles to bring a better gaming experience at one time. However, there is a certain technological shortage in the development of new technologies and a certain degree of innovation is lacking (Life 2020). The head of the Nintendo team should focus on solving the problem of technical shortages.

Nintendo's competitor Sony launched a new game console this year, so Nintendo may face greater competitive pressure, and leaders should be more active in innovation (Kotaku Australia 2020). The result of the innovation is still unknown, so the pressure of the team's change is great, and it will even damage the team's confidence and enthusiasm.

During Covid-19, a large number of game events were cancelled, and customers were unable to experience new game consoles or new technologies and it is a big difficulty for the Nintendo team to promote it.

Due to the closure of a large number of stores, customers cannot go out to buy physical game cards, so they must choose digital games. However, the price of digital game cards may be too expensive, causing some potential customers to stay away. The advantage of physical cards is that game cards can be resold or directly purchased second-hand products, and some players can also choose to collect games. After Covid-19, the downturn in the market economy led to layoffs, but the layoffs will lead to a shortage of technical talents and put tremendous pressure on existing employees.

These factors may prevent the project from making changes as planned. However, the leadership will reduce the influence of these factors through judgment and communication so that project changes can be completed as planned.

4. The Current Situation of Stakeholders

Considering the development of Nintendo after Covid-19, it must think about the issue of the perspective of Nintendo's stakeholders. The main stakeholder roles discussed in this section will be consumers, competitors, and shareholders (Scribd 2020).

For consumers, staying at home during the epidemic has created an unprecedented desire to buy, especially games have become the best way to spend boring time. After returning to normal work, due to the pressure of money costs and the reduction of idle time, the demand for game consoles may decline rapidly, and even a large number of second-hand game consoles will circulate in the market, then it results in a decline in Nintendo's sales.

To continue the stimulation of consumers' desire to buy, Nintendo can attract consumers by discounting and promoting digital games. At the same time, interacting with

consumers on social media such as sweepstakes can help Nintendo better understand consumer needs and promote its games or activities. To maintain high sales, Nintendo can also fill out feedback questionnaires to provide coupons to encourage consumers to make suggestions and allow consumers to make purchase decisions based on coupons.

Broadly speaking, Nintendo's competitors are mainly Sony and Microsoft. Sony launched a new product PS5 in 2020, and the changes in the game consoles may have brought a sense of crisis to Nintendo. Another fact is that more and more people will play online games, and the initially small market share has been forced to decline repeatedly. However, the new game 'Animal Crossing' in March 2020 brought a large number of consumers to Nintendo.

In addition to new games, Nintendo should also develop better technology. Leaders should understand the importance of professionals, while the layoffs are to streamline employees, which fully confirms the lose-win model. Employees must give full play to their abilities to prevent being fired. At the same time, leaders

should encourage the enthusiasm of employees and use their functions to find professional technical guidance for them.

For shareholders, they should be happy because Nintendo's stock has been rising during Covid-19. According to Nintendo's dividend policies, shareholders can bring high returns due to huge sales (Nintendo.co.jp 2020). Shareholders still need to prepare for the subsequent stock movement. Whether it is a decline in future sales or a downturn in the market economy, it may affect inventory trends.

Leaders should let shareholders understand the company's financial status and build trust between shareholders and the company, which is very useful for the company's development and increasing investment. Leaders should also let shareholders understand that market volatility is inevitable so that shareholders can have full confidence in the future market so that they can obtain support in decision-making. The support of shareholders is an important part of the company's changes when it is changed, to avoid time delays caused by indecision.

5. Reasons for Communication Option Choice

In the changes to the Nintendo project, the following communication methods are mainly used:

- Use the network and social media for communication

- Leaders use lose-win to motivate employees

- Leaders use situational leadership theory to manage the team

- Leaders formulate clear company policies

- Leaders have certain rewards to encourage current employees

The behaviour of the leader can determine the attitude and status of the employees. For a large multinational company, it is necessary to maintain communication during the Covid-19 period, so the role of social media and networks will expand infinitely. At the same time, Covid-19 may bring pressure to employees, so it is necessary to reward team members and create a good working environment can lead the mobilization of employees. Clearly organized policies can also enable employees to quickly enter the role of change without hesitation and confusion, while they may not clear the new role and the responsibility. In the process of advancing different projects, leaders may continue to change their leadership style and degree of participation, which can promote the

development of the project to varying degrees. In the process of advancing different projects, leaders may continue to change their leadership style and degree of participation, which can promote the development of the project to varying degrees. Choosing a good communication method will also help handle conflicts because the conflicts must exist in a change project. Therefore, when leaders develop their leadership style, they also need to determine more detailed communication methods based on the characteristics of team members.

6. Conclusion

In the Covid-19 period, the gaming industry is worth discussing because its industry sales soared during the economic downturn, and Nintendo was one of the companies that received the most revenue. After confirming the changes in the company's project, the influencing factors will also be listed, such as a creative environment, active partners, clear policies and a good working environment. However, changes are bound to meet resistance, leaders need to consider how to better manage new suppliers, how to ensure their costs and how to handle relationships with competitors and shareholders. Besides, some leaders need to consider new online marketing, and the shortage of manpower after layoffs is also a problem that needs to be considered and resolved. Nintendo's stakeholders have different considerations from different perspectives and can obtain

related benefits to varying degrees during Covid-19. It is commendable that electronic devices were used online, electronic equipment and networks can help Nintendo's global branches to communicate and determine the interaction between development plans and customers. There are many ways to communicate, but the Internet allows people to get digital games and timely information at home. Overall, due to Covid-19, the game industry led by Nintendo is facing new opportunities and challenges. If it changes properly, this will be another leap for Nintendo.

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