

# Study on Brand Construction and Communication Strategy of Nintendo Game Company in China Market in Digital Era

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**Keywords:** Nintendo Game Company, China Market, Brand Construction, Communication Strategy.

**Abstract:** With the development of technology and the advent of the digital economy, traditional marketing needed to change, and so digital marketing emerged. Digital marketing makes use of the Internet and digital media, thus allowing for a wider reach of information, which can later increase brand awareness or increase brand revenue. In this article, literature analysis, case study, and comparative analysis methods will be used to explore the question. The results are about the development status of the game industry under the digital age, including the user scale and the market size, the development status of Nintendo Games' brand building and communication in the Chinese market, including the target consumer group and the promotion strategies, and the problems existing in Nintendo Games' brand strategy in the Chinese market, including the communication strategy does not keep pace with the times, the lack of infiltration of multi-faceted game culture, and insufficient after-sales service. In the discussion, the main content is about building online and offline multi-channel communications, increasing penetration by launching more extended products and hiring more expertise in repairing games in the domestic shop. The business value of this paper is promoting the development of the game industry, further optimizing the marketing of game companies, as well as expanding the consumer market.

## 1. Introduction

With the continuous development of society and technology, more and more people are focusing on spiritual entertainment. Games are one of the attractive entertainments, and a wide variety of games and game companies are developing and advancing. In the digital era, people highly utilize electronic networks and consider games important entertainment. According to Newzoo Global Games Market Report 2020, the number of gamers worldwide is still on the rise and will exceed three billion by 2023. The global games market will generate revenues of \$159.3 billion in 2020, a 9.3% year-on-year increase. The Asia-Pacific market will generate \$78.4 billion in gaming revenue in 2020, up 9.3% year-on-year, accounting for nearly half of global gaming revenue [1]. By studying these data, it is easy to see that games have become an important part of modern people's entertainment life, and the market outlook is optimistic, and the Asia-Pacific market is very important for the global market. With more and more people becoming gamers and bringing considerable revenue to major game companies, it is crucial to study game companies in the digital age. Also, for game companies, the success of their development is closely related to construction and communication, which are also necessary to study. Proper brand construction and appropriate communication can expand brand awareness, attract new players, strengthen the existing fan base, and improve market competitiveness, ultimately making the company benefits more.

Nintendo is a Japanese company mainly engaged in the development of video game software and hardware, and one of the pioneers of the modern video game industry. Founded by Yamauchi Fusajirō, Nintendo's basic policy is to "create unique forms of entertainment" and to make it a corporate social responsibility to "bring smiles to the faces of all who connect with Nintendo [2]. Nintendo's products include games such as Super Mario, Pokémon, The Legend of Zelda, the recent hit Animal Crossing, and handheld and home consoles such as GB, 3DS, FC, and Nintendo Switch. Numerous products

have sold significantly, such as the Nintendo Switch, the seventh generation of Nintendo's home console, which sold 84.59 million units of hardware and 587 million copies of the software as of the end of March 2021 [3].

Nintendo, the world's leading gaming company, has been studied by many scholars. Chen and Yang found that Nintendo's product called Wii focused on physical manipulation and was dedicated to making those games enjoyable for players of all ages and both novice and veteran gamers so that simple and fun Nintendo games stood out among many competitors [4]. However, according to a comprehensive report by Lin, Nintendo has more and more rivals in today's competitive game market with the development of society. As a result, Nintendo is facing more challenges and its growth space is seriously squeezed. Microsoft and Sony, two old rivals, have both launched products similar to Nintendo's Wii, making the Wii's dominance fade gradually. This unpromising situation definitely means that Nintendo needs to continue to work hard to progress and not sit on its hands [5]. Of course, Nintendo, as one of the leading companies with a long history in the gaming industry, is also very popular for its attractive games. The Pokémon Go series is one of Nintendo's most well-known game series, creating a craze among players worldwide. Players have been heading to some of the coffee shops or restaurants that are set up as supply stations in the game, bringing high income to these places. Game Practical Technology magazine analyzed the craze that Nintendo seized the opportunity and cooperated with McDonald's, making McDonald's an official sponsorship supply station, after which McDonald's stock price soared while Nintendo made objective gains, achieving a win-win situation. This cooperation has also become a classic case and a major breakthrough in crossover cooperation in gaming [6].

Most scholars have studied Nintendo's corporate experience, launch messages, the reasons for maintaining success in the global game market, and its famous games' strengths, weaknesses, and cost performance. They also carefully analyzed the quality of Nintendo's various models of consoles and the existing threats in the market. Most scholars have analyzed and studied the global market, but few scholars have focused on the brand building and communication strategies of Nintendo game companies in the Chinese market and how to optimize them, so this paper will fill the gap and focus on this essential issue.

In this article, the Nintendo Game Company is the main object of analysis. The three main research methods involved in this paper are literature analysis, case study, and comparative analysis. The main idea of this paper is to analyze the development of the game industry as a whole in the digital era and then focus on the development of brand building and communication of Nintendo in the Chinese market. Then, secondary data and industrial reports are used to analyze the current problems of Nintendo's brand and strategy in the Chinese market and the corresponding ways to optimize them.

## **2. Methodology**

This paper/study will use literature analysis, case study, comparative analysis, and some other methods to illustrate the existing marketing strategies, brand building, and some possible improvements of Nintendo. So, our findings and the research in the past can be combined to reach an overall conclusion of the problems and advantages of Nintendo games.

### **2.1. Literature analysis method**

Literature analysis intends to deeply examine one piece of writing. The term is also applied to studying a group of writings, the sum of one writer's works, a mode of writing, and a particular genre of writing. Literature analysis attempts to study its subject's themes, construction, and style [7]. Our overall aim is to gain a better understanding of the general marketing strategies inside the game industry and Nintendo's as a specific case. Focusing on the branding and marketing strategies, we will use past academic writing articles and investigations to help us form research questions and dig deeper into them.

We will use some journals and thesis to form literature reviews to illustrate the research progress till now. Those literatures include some background information for the whole game industry and the

brand building, dissemination of Nintendo as a specific case. Some background information and data of the game industry will be used to show the game business development in digital times. While Nintendo's brand building and communication in the China market will be revealed by its background information, money flow, and specific data of their products.

## **2.2. Case study**

A case study is a detailed study of a specific subject, such as a person, group, place, event, organization, or phenomenon. Case studies are commonly used in social, educational, clinical, and business research. Our case study research involves qualitative methods, but quantitative methods are sometimes also used [8]. The case study for a specific individual in-game industry is a good way by describing, comparing, evaluating to understand different aspects of our research problem, which is about brand building and marketing strategies.

In this study, we will use Nintendo as a typical example of a game company to explore their communication strategies and the problem that exists in them. Because Nintendo is currently the one dominating the handheld console market with its Nintendo DS as well as the preceding incarnations of its best-selling Game Boy handheld (Nintendo), its advanced technology and innovation make it an iconic one among all game companies.

## **2.3. Comparative analysis method**

A comparative study is used to determine and quantify relationships between two or more variables by observing different groups that either by choice or circumstances are exposed to different treatments. The comparative study looks at two or more similar groups, individuals, or conditions by comparing them [9]. Our major objective of comparative analysis is to gain insights into the performance of a company through comparison.

This paper will compare Nintendo with Sony horizontally to enhance their difference in the products and communication strategies. And the current online communication strategies of Nintendo will be compared with its traditional strategies in the past few years vertically to obtain an overall trends for the development in the game industry. So, we will be able to find the possible improvements that can be made to speed up the process of communication.

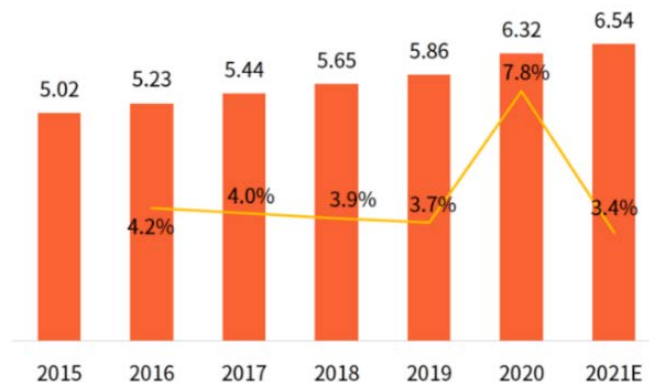
## **3. Results**

### **3.1 The development status of the game industry under the digital age**

With the development of technology, online virtual games were gradually introduced into people's eyes and keep a growth trend under the initiated digital age era. However, after a few years, the increased growth trend within the games industry has been slowed down. Later, China's gaming industry achieved rapid growth during the COVID-19 and is expected to continue to grow in the post-epidemic period. Therefore, user scale and industrial scale are two factors applied in this study to demonstrate the development status of the game industry under the digital age.

#### **3.1.1 User scale**

User scale refers to the notion that is the estimation of how many people participate within a specific industry. Take the game industry as an example, the user scale of the game industry is the estimation of how many people have registered for game accounts and become game players. Figure 1 represents the user scale of the game industry from 2015 to 2021 [10].

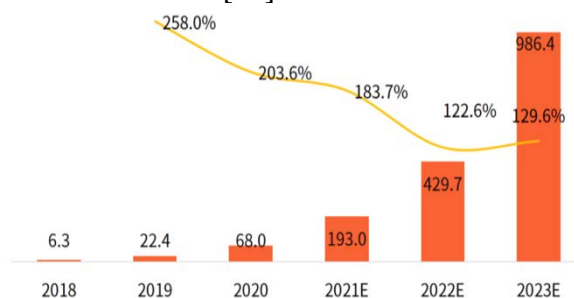


**Figure 1.** China game industry user scale and growth rate from 2015 to 2021.

In figure 1, the red column represents the user scale of the game industry and the yellow line represents the growth rate of the user scale. It can be seen from picture 1 that the game industry trend has overall been showing an increased current from 2015 to 2021. Looking closely, figure 1 reflects that the growth rate of user scale, from 2015 to 2019, was very flat and there was even a downward trend from 4.2% in 2015 to 3.7% in 2019. Moving to 2020, the growth rate suddenly increased and the number of users reached 632 million.

### 3.1.2 Market Size

Market size means how big the market is and the indicators used to estimate the target market's production capacity and output value within a specified time. Figure 2 below shows China's game market size and forecast from 2018 to 2023 [10].



**Figure 2.** China game market size and forecast from 2018 to 2023.

According to figure 2, it can be seen that the size of the game market is more than doubled every year and the predicted game market size in the next two years will even reach five times the size of 2021 indicating that the industry outlook for the game market is very favorable.

## 3.2 The development status of Nintendo Games' brand building and communication in the Chinese market

Nintendo wanted to enter the Chinese market a long time ago, and it has continuously made attempts such as getting Aaron Kwok to endorse advertising in China, but they all ended in failure. In recent years, in 2017, Tencent and Nintendo announced that they would officially confirm their cooperation with Tencent and release the Nintendo Switch console in China indicating that Nintendo is constantly exploring how to enter the Chinese market [11].

### 3.2.1 Target consumer group

The target audience of Nintendo's game products has always been children, and many products are very cartoonish and innocent, such as Mario and Pikachu. Therefore, Nintendo is very interested in using cartoon characters in its external advertising to attract children's interest and make Nintendo game consoles a household name. However, the game company Sony has positioned itself as a target consumer group among adults and has also developed matching games for those who occasionally

play games. This group has a large number of people who have more funds that can be controlled than children. They are susceptible to the temptation of media advertisements. They will choose brands when buying and Sony have successfully entered the market through its good brand value [12].

### **3.2.2 Promotion strategies**

In the past many years, the reputation of the Nintendo brand was mainly derived from the model of cooperating with other domestic game companies as agents, and offline physical stores for point-of-sale. However, with the development of technology and the Internet, Nintendo has launched an enhanced online marketing model and reached cooperation with China's online shopping platforms, JD.com and Tmall. At the same time, it did not give up offline physical stores and even added some offline stores and Switch's experience stores. In addition, Nintendo includes traditional media broadcasting, television, and new media on the Internet to achieve viral marketing [13].

### **3.3 Problems existing in Nintendo Games' brand strategy in the Chinese market**

Although Nintendo uses online and offline communication and marketing methods, the name Nintendo still has limitations in China. As a result, its branded games are not yet fully occupied and there are many problems.

#### **3.3.1 Communication strategy does not keep pace with the times**

If Nintendo wants to successfully enter the Chinese market, it must face competition from the two giants of Microsoft and Sony game companies. For this, it must develop or promote the differentiation between Nintendo itself and other game companies to improve its competitive force. In addition, when Nintendo used the help of Internet technology to achieve viral marketing, it did not notice that mobile apps are now quickly attracting people's attention. Nintendo's current marketing strategy has not changed in response to these external threats but has continued to adopt a relatively conservative product promotion model.

#### **3.3.2 Lack of infiltration of multi-faceted game culture**

Nintendo's current main advertising campaigns are all placed on advertising TV or new media, and they are limited to introducing the game console product itself, and lack of introduction and penetration of the entire game culture, which makes people unable to remember the Nintendo brand. On the contrary, a company like Disney makes products and develops a series of derivatives of Disney culture, such as Disneyland, Disney toys, clothes, from various aspects to let people remember the Disney brand to create a higher brand value and brand effect.

#### **3.3.3 Insufficient after-sales service**

At present, many domestic Switch shop assistants in China lack the corresponding maintenance knowledge and game knowledge reserve, which causes many players to be unable to obtain the corresponding maintenance and inspection after purchasing the game console, thereby reducing the player's purchase experience and affecting the Nintendo brand's reputation.

## **4. Discussion**

There will be discussion made on Nintendo Games' brand building and the optimization of its communication strategy in the China market.

### **4.1 Build online and offline multi-channel communications**

Since the Nintendo Game company is still focused on marketing online and neglects the negative impact brought by the gradually mature applications in mobile phones, some innovations can be made to change its disadvantageous situation. Nintendo's traditional sales method and circulation system seem to be inefficient, and it has accumulated a lot of inventory and second-hand circulation problems that cannot be reasonably solved. The online sales method can effectively solve the problems of shipment and inventory that plagued hardware and software vendors in the past. For example, a Store

system for online software sales can be built to allow customers to purchase online with virtual cash. Some traditional or newly developed games can be included in the apps, like Animal Crossing and Pokémon. They are some really popular games in the world, so if gamers know that they do not have to play them on the console but just can enjoy them on their mobile phones, they may be happier to pay for the games due to the huge convenience brought by the App Store system. In the future, Nintendo's software distribution can be through a dual-track system of online sales and traditional sales. And they can adjust the mode at any time according to the actual profit made and consumer profile [14]. Like Apple's apple store, from releasing to six months after release, the cumulative download volume exceeded 500 million times. The download volume of more than 20 paid software exceeded one million. So, Nintendo can try to copy this communication way to open up a broader market in China.

#### **4.2 Increase penetration by launching more extended products**

When mentioning Nintendo, most people can only remember the game console it produces, and Nintendo itself gradually become the byword for children's game consoles. But Nintendo did not use its biggest advantage properly, which is its Intellectual Property. Take Mario as an example, Mario was officially released in Japan on September 13, 1985. It was installed as game software on the red and white machines sold by Nintendo. The first release at the time was called "Super Mario Bros." (スーパーマリオブラザーズ, SUPER MARIO BROS). Once it was released, it became a social trend at the time, and it reversed the public awareness of home games. The Mario game turned out because it subverts the traditional action game system that the protagonist of the game will either die or be injured when they encounter an enemy. Instead, it uses a new attack method of stepping on the enemy. In addition, it can also defend. Going up the mountains and down the sea. In August 2019, Titlemax, the largest equity lending company in the United States, released the survey results of "THE 25 HIGHEST-GROSSING MEDIA FRANCHISES OF ALL TIME" (25 most high-growth franchise brands). The results showed that Mario ranked in the world as an IP Eighth, we can see the influence of Mario's IP value on Nintendo and the world. However, the related income of IP is not listed separately in Nintendo's financial report. It is calculated together with the "charges for mobile phone hardware", which is only 57 billion yen (the related income of Mobile Phone& IP in Table 1). And the game console business has 1.7 trillion yen (i.e., Game Console in Table 1). It can be seen that IP income accounts for a small proportion of Nintendo's entire plate.

The fact is that Nintendo's energy spent on derivative sales is far from enough. It could have used an IP like Mario to transform its business into a large company with film and television entertainment, consumer products, and interactive media. According to the analysis of Japanese investors, if Nintendo develops IP authorization and operations as soon as possible, the company may be able to grow faster than the current growth rate of 2-5 times [15].

#### **4.3 Hiring more expertise in repairing games in the domestic shop**

Nintendo encountered collective complaints from players in 2019 because of the serious problem of Joy-Con joystick drift. Nintendo only provides a one-year warranty for Switch products, including the Switch body, Joy-Con handles, Pro handle, and base. If it is not within the warranty period, Nintendo will provide paid repair services. According to Reddit users, the repair cost of Joy-Con has reached 40 US dollars, which is almost the price of a single brand-new Joy-Con. At present, Nintendo has no warranty extension or targeted replacement measures for the Joy-Con joystick drift problem. Nintendo should vigorously recruit professionals who deeply understand the maintenance of game consoles in various offline stores to meet the needs of consumers and bring them a better purchasing experience as a whole, to increase the reputation of Nintendo game consoles [16].

**Table 1.** The change in Nintendo's sales volume in the year 2020-2021.

	FY20	FY21	Increase and decrease
Sales	1308 billion yen	1758 billion yen	+34.4%
Game console	1254 billion yen	1700 billion yen	+35.6%
IP and mobile phone	51 billion yen	57 billion yen	+11.3%
Others	3 billion yen	2 billion yen	-41.9%

## 5. Conclusion

This paper mainly discusses the brand construction and communication strategies used by Nintendo Game Company in China market in the digital era. By using literature analysis method, case study, and comparative analysis method these three ways to explore the current development trend of the game industry in China under the digital era, the Nintendo Games' brand building and communication used in the Chinese market, problems of the Nintendo Games' brand building and communication and the optimization of its communication strategies in the China market. The main conclusions are as follows:

First, the game industry trend in China initially keeps a growth trend, but after a few years, the increase growth trend has been slowed down. Later, China's gaming industry achieved rapid growth during the COVID-19 and is expected to continue to grow in the post-epidemic period. Second, about the Nintendo Games' brand building and communication used in the Chinese market. Before, Nintendo wanted to enter the Chinese market, but they all failed. In recent years, Nintendo wanted to enter the Chinese market again by confirming the target consumer group is children and applying promotion strategies such as traditional media broadcasting, television, new media like viral marketing. Third, communication strategy does not keep pace with the times, Lack of infiltration of multi-faceted game culture and Insufficient after-sales service are three major problems of the Nintendo Games' brand building and communication. Fourth, the corresponding optimization strategies for the problems are building online and offline multi-channel communications, increasing penetration by launching more extended products and hiring more expertise in repairing games in the domestic shop.

However, this paper's data and methods to confirm the trend and Nintendo's brand construction and communication strategies are derived from secondary data. The defect of secondary data is that the data is not as reliable and timely as primary data since primary data will use surveys or interviews to directly investigate to make sure all the data are precise, which may cause the results obtained to be inconsistent with the actual trend.

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