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ANALYTICAL REPORT

DATE: October 27th, 2024
PREPARED FOR: CEO and Board of Nintendo
REPORT BY: Timothy Son
SUBJECT: Retro game market opportunity

EXECUTIVE SUMMARY

My report examines the advantages and disadvantages of Nintendo bringing retro games to the Eshop on its newer consoles. The analysis covers how Nintendo can leverage nostalgia and the demands for their classic games while considering risks like market saturation and loss of focus in developing new games. Based on my findings, the report concludes that the benefits of implementing retro games outweighs the drawbacks; the report also covers a strategic approach to maximizing revenue without compromising Nintendo's brand and development efforts.

INTRODUCTION

PURPOSE OF THE REPORT: The purpose of this report is to analyze the feasibility and impact of Nintendo introducing retro games to the eshop on their newer consoles. The report will dive into the potential revenue, market reception, and challenges associated with this strategy.

BACKGROUND: Nintendo has previously capitalized on online platforms like the Eshop to offer retro games for download; these retro offerings appeal to a market that values nostalgic gameplay experiences. The demand for classic titles persists among gamers and this presents an opportunity for Nintendo to capitalize on this trend and generate additional revenue.

SOURCES AND METHODS: My data will come from articles accessed through the San Jose State University King Library database, sales data of retro games, industry reports, and analysis of market trends.

SCOPE: The analysis in this report will focus on the advantages and disadvantages of implementing retro games, drawing comparisons with similar strategies of competitors like Microsoft and Sony.

LIMITATIONS: The report primarily consists of existing market data and trends. This report won't account for unexpected changes in market demand for retro games or Nintendo's internal strategy decisions that may influence the implementation of such a system.

REPORT ORGANIZATION: The report is structured by first exploring the advantages of implementing retro games on Nintendo's Eshop, including the popularity of retro games and the financial successes seen by other companies in similar ventures. Next, the report examines whether this strategy could be a profitable endeavor for Nintendo. The analysis transitions into potential disadvantages, such as the risk of devaluing the retro game market and the possibility that focusing on classic titles might detract from new game development. Lastly, the report concludes with a balanced summary of findings and recommendation for Nintendo's approach to integrating retro games into their digital store.

THE ADVANTAGES OF IMPLEMENTING RETRO GAMES:

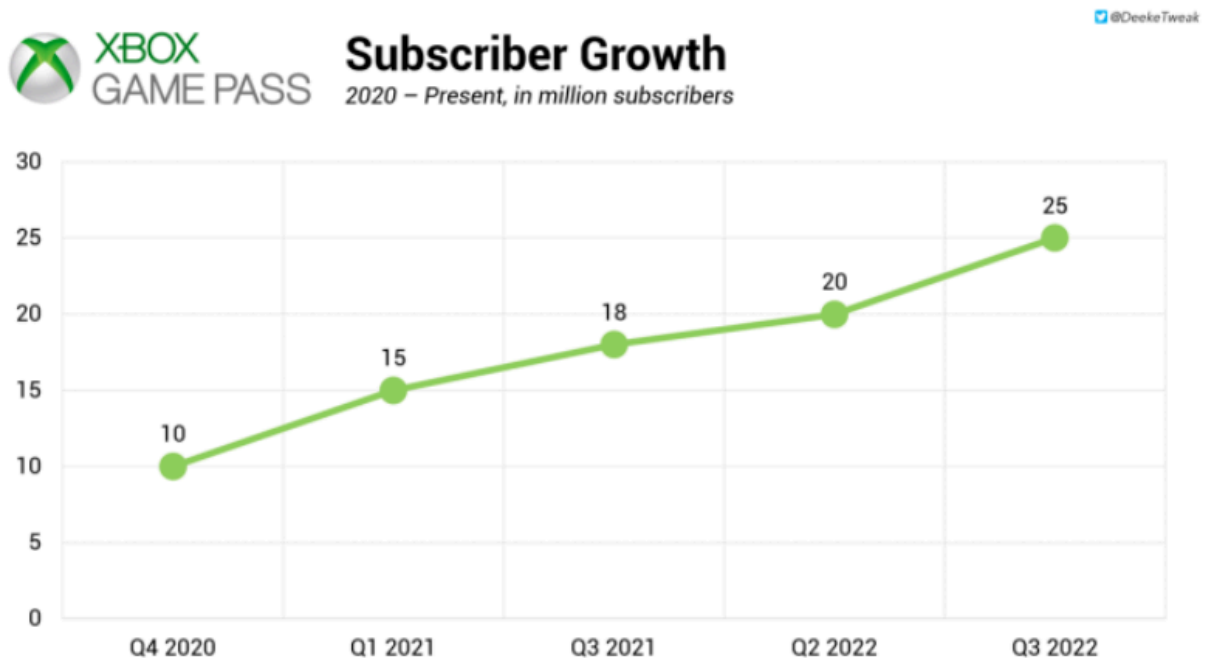
Implementing retro games on the Nintendo Eshop provides several advantages. Retro games play into peoples nostalgia among older gamers while introducing titles to younger audiences. Nostalgia plays a crucial role in the success of retro game releases, as highlighted by Robbins (Robbins, 2015). These games allow players to relive their fond childhood memories and create a loyal customer base who are willing to repurchase remastered titles. Offering these games digitally reduces manufacturing costs that come with manufacturing physical media, thus maximizing profit margins (Robins, 2015).

STUDIES SHOWING THE POPULARITY OF RETRO GAMES:

Studies and sales data show consistent demand for retro games. Nintendo's success with titles like "Super Mario All-Stars" demonstrates the market appeal of remastered classics. Re-releases and remakes have been a long standing trend, with digital marketplaces like Playstation Network and Xbox Live offering older titles to new platforms (Robbins, 2015). Nintendo's retro game collections have proven to be popular among fans and contribute to a big portion of their digital sales. This trend is further supported by data from VGChartz; VGChartz has data on classic Pokemon titles the continue to have substantial sales across various re-releases (VGChartz, 2024)

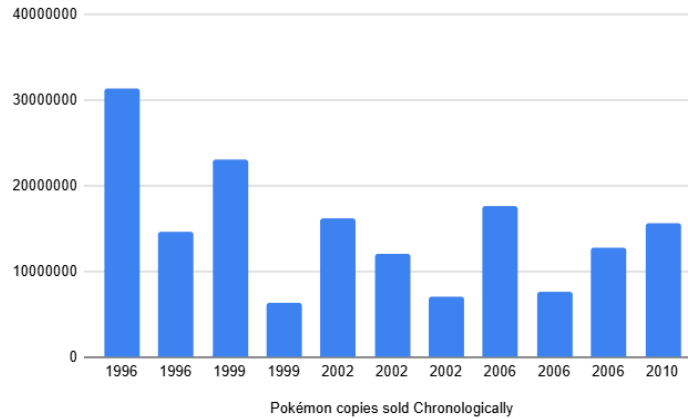
COMPANIES THAT HAVE IMPLEMENTED RETRO GAMES AND INCREASED REVENUES:

Competitors like Microsoft have seen significant revenue boosts through subscription models that include retro games. According to Strickland, Xbox Game Pass generated \$230 million in a single month; the successes of the Xbox Game Pass can be attributed to their extensive collection of retro games. Cloud gaming like Nvidia GeForce Now, which allow access to older games, have also contributed to growth in the gaming industry despite there being an overall slowdown (Strickland, 2023). These examples suggest that a diverse selection of retro games can enhance Nintendo's revenue through their Eshop. The following photo was collected from Tweak towns website (Strickland, 2023). We can see in the photo that the amount of subscribers has been growing with Xbox's game pass. It is proven through the visual that creating a subscription for online retro games has been a consistent strategy.



NINTENDO'S POTENTIAL PROFIT:

The addition of retro games to the Eshop could be a substantial driver for Nintendo's revenue. Nintendo has recently revised its sales forecasts upward due to the popularity of the Switch console, which demonstrates the potential market of gamers (Mochizuki and Furukawa, 2024). Introduction of retro games into the Eshop could leverage this existing market and create an additional revenue stream without incurring extra game development costs. There is a consistent trend for availability of older games like Pokemon Red & Green and demand for these nostalgic experiences (VGChartz, 2024). The photos below consist of data from VGChartz for pokemon copies sold (VGChartz, 2024); The years corresponding to each title stems from the RadioTimes website (Julians, J., & Luke, 2024). These 2 data sets were merged on google sheets. We are able to see how successful Nintendo has been in the past.



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	A	B	C	D	E	F
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2	Pokemon Red & Green (Japan-only) & Blue -				31380000	1996
3	Pokemon Yellow -				14640000	1996
4	Pokemon Gold & Silver -				23100000	1999
5	Pokemon Crystal -				6390000	1999
6	Pokemon Ruby & Sapphire -				16220000	2002
7	Pokemon FireRed & LeafGreen -				12000000	2002
8	Pokemon Emerald -				7060000	2002
9	Pokemon Diamond & Pearl -				17670000	2006
10	Pokemon Platinum -				7600000	2006
11	Pokemon HeartGold & SoulSilver -				12720000	2006
12	Pokemon Black & White -				15640000	2010

DISADVANTAGES OF THIS SYSTEM:

While there are many benefits that can occur by introducing retro games, there are some drawbacks to consider. One factor to keep in mind would be market saturation and potential competitors eating market demand. A large amount of variety could lead to a perceived loss of exclusivity of the retro experience among fans. Offering retro games could shift Nintendo’s focus away from developing games to providing retro, older experiences. Nintendo’s brand identity has been linked to innovation and high quality game design. (Robbins, 2015)

POSSIBLE DEVALUATIONS OVER RETRO GAMES:

The widespread availability of classic games could reduce the perceived value among collectors and dedicated fans. Digital re-releases do provide convenience for consumers, but doing so devalues original owners or vintage copies of games (Robbins, 2015). Releasing digital copies now could also devalue any future plans to release premium retro products.

NINTENDO'S SHIFT AWAY FROM NEW GAME CREATION :

Increasing focus on retro game sales away from the development of new titles could pose a risk for Nintendo. Nintendo’s strategy hinges on maintaining a balance between a classical experience and innovative new releases. Shifting too heavily towards the retro games could shift the fan base that is looking for the new innovative experience that Nintendo is known for.

RECOMMENDATIONS

1. **Curate a Select Library**

Nintendo should focus on releasing a tailored list of classic games. Nintendo does have the power to upload all their retro titles, but only a select few should be chosen. This will help keep customers interested and prevent market saturation.

2. **Implement subscription bundles**

Introducing a subscription based service has seen success in companies like Microsoft and Nvidia. This subscription package would give access to select retro games and build a consistent revenue stream for Nintendo.

3. **Balance Retro and New Releases**

Nintendo should continue to have focus in releasing new games because innovation fits into the name brand. Although Nintendo can reformat all their old games on their new console, they should maintain balance to keep their fan base engaged in the Nintendo brand. Nintendo should keep nostalgia and innovation in mind.

4. **Engage with community feedback**

Gathering feedback from fans could assist Nintendo to make more educated business decisions. They could take surveys from fans to see what games are the hottest in demand. This would allow Nintendo to focus on select titles they would release online. This would allow them to maintain brand value and ensuring sustainable growth

CONCLUSION

The benefits of implementing retro games on the Nintendo Eshop outweighs the disadvantages that it could bring to Nintendo and their customer base. The success of retro games can be seen across various companies and Nintendo can take a share in the market for this. Implementing classic titles in the Eshop can reach new players who haven't been exposed to older games and provide convenience to older loyal fans. Despite all these benefits, management needs to carefully implement this kind of system to avoid market saturation, the devaluation of their vintage products, and loss of innovation in their new game titles.

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