Analyzing a Process in Nintendo Company

Nintendo needs to plan at least five months before a peak season. This will help them make effective use of demand and supply management tools, thus avoiding the lost revenues and the grieved buyers. Although the future is always unpredictable, and estimating future sales is harder, multiple mishaps on buying opportunities at peak times can be distilled to a precise point. They need to shift from “push” to “pull” manufacturing models. Buyers provide a quick channel of disseminating information around the globe on new products for sale. They need to apply the tools at their doorstep to align optimally supply and demand. This calls for effective understanding of the time and resources needed (Burrill, & Ledolter, 2006).

Among these resources Nintendo should make use of point of sales (POS) data. Although mostly thought of as misleading and cumbersome, research has shown that POS greatly improves demand for management. The benefit of POS is the resultdoes not wait for the shipment of the order but rather offers a local study tool (Burrill, & Ledolter, 2006).

Management should point out, analyze and take appropriate actions by using particular strategies to meet new goals. They need to carry out a benchmarking exercise, which involves evaluating the business production process and performance on parameters such as, productivity, cost and quality based on the industry’s standard measure. This provides a clear picture of where the organization stands in the industry, as wellenabling them to carry a Business Process Improvement (BPI), and optimize the inspiring processes for effective results.

BPI involves:

* Redefining the goals and objectives of the company (who are they, what they want to do, why do they need to do)
* Establishing the organizations customers (who do they need to serve?)
* Organizing the business process to achieve the objectives (how do they achieve this)

BPI strategizes on causing rapid, radical changes rather than the gradual step-by-step improvements.

Nintendo as a company has a seal of quality for its video games, accessories and other console items. This gives the company a green light to trade its products in American, European and Australian, markets. This has been crucial for the company’s entry into these markets. However, much is required to ensure the sustainability of quality. An all round organization-wide quality approach needs to be adopted, thus Total Quality Management (TQM). TQM is founded on the interrelations between advanced technology and non-financial performance yardsticks. Of late companies which have been accredited by the International Organization for Standardization (ISO) have had an advantage in their respective markets. “However, the certification only guarantees the business production process either on quality or environmental issues, but does not guarantee on the quality of the final product” (Burrill,, & Ledolter, 2006).

A six sigma quality control could be very applicable for the company; this will try toimprove the outputs of the process by pointing out and eliminating causes of errors and variation in its production system. Statistical quality control technique is one of the techniques that are most applicable for the company. This technique is done in five stages; defining, measuring, analyzing, improving and controlling the deviations in the production systems.

Nintendo report (2008) says that, “Poor inventory control forced the Nintendo company to reduce to less than 100 US dollars its game cube console, in order to resuscitate the dwindling sales.” The action was meant to woo potential customers and boost the lost market share. The company has been forced to eat up its stockpile inventory by halving its production rate. In order to optimize flow of inventory in Nintendo Company, lean manufacturing technique comes hardy. The benefit of this will be, an increase in efficiency, deciding what matters as well as reducing waste.

The top management team of Nintendo Company needs to bring their heads together and evaluate the things mentioned and be able to salvage the image and the products of the company. Lowering the cost of their products to attract more customers will only work in the short term period.

Quality Tools

Collecting data to track inventory throughout the year and presenting this data to management so they understand the ebb and flow of the products they sell are critical parts to ensuring enough inventory is on hand for their peak selling seasons. During peak selling seasons, like Christmas time, Nintendo systems, especially Wii, seem to be out-of-stock more than they are in stock. One reason for this is Nintendo’sreliance on third party manufacturing. “Nintendo commissions a number of third-party manufacturers to produce key components or assemble finished products” (Nintendo Annual Report 2008, p. 18). If one of these manufacturers fails, Nintendo scrambles to find other resources to get the components and the materials they need.

Using a system like The ABC Classification system may help Nintendo to group their items according to annual sales volume to understand which items are the most important ones to control. Then determining the reorder point by using a formula such as R = D\*L where R equals inventory level and D the demand rate and L lead time. This will help Nintendo to determine how much inventory they need on hand at any given time. By equipping their systems with bar codes and RFID (radio frequency identification) tags the company monitors where a product is, whether the product is in inventory, on its way to a store, in store or if it has been sold. This tag is a way to track the device through the whole distribution system. The RFID tag by itself could improve the efficiency and management of inventory levels.

Nintendo should also monitor the inventories of the third party manufacturers they rely on to supply their component parts. To be caught off guard with not enough parts inventory, which causes out-of-stocks, which then causes customer dissatisfaction is not something to be ignored. Collecting and presenting this data could help further control and help forecast inventory levels to meet the customer demands.

Presenting this data to management in an easy to understand and easy to see format is critical to getting management to see the total picture quickly. Some managers like number tables, some like pictorials so presenting this data in multiple formats, like a number table, with a histogram or scatter charts will satisfy different managers needs so they can easily see the picture being presented at the same time, no matter their preference. Collecting and presenting this information in a timely manner will ensure management has an understanding of the current inventory levels and should help forecast the needs going forward.

An Analysis of the Process Variability

Nintendo needs to make sure that stocks are high during peak seasons and stay in touch with advertisements and customer demand especially when companies are advertising and competing with one another. Nintendo has the resources to make sure that supply meets demand and that products are not only leaving the shelves but are being replenished as well.The data shows that Wii is the highest selling gaming system that Nintendo has produced and that is because of the many bundles Nintendo offers for the Wii.

Nintendo is enjoying the success of the Wii console “Additionally, the report claims despite continued shortages, Wii has managed to become the fasting selling console of all time selling at a greater pace than the most widely purchased console in history, [Sony's PlayStation 2](http://www.pcworld.com/tags/Sony+PlayStation2.html).” (Game Pro Staff, Aug. 23, 2007). Nintendo would have more success if they had more products on the shelves, like the gaming console, products and games involved with the Wii. The customer would go home happy with a new system and will probably spend more money on games as well.

Conclusion

Nintendo is a company at the top in the gaming entertainment industry and manages to keep distributors and users alike begging for more. Nintendo would be wise to conduct a benchmarking exercise, evaluating the business production process and performance on parameters such as, productivity, cost and quality based on the industry’s standard measure. This would provide a clear picture of where the organization stands in the industry, as well as enabling them to carry a Business Process Improvement (BPI), and optimizing the processes for effective results. The Statistical quality control technique is one of the most applicable.

Recapping our suggestions for improving this process; Nintendo should establish customer buying patterns and prepare for a possible surge of sales. Due to some items being in higher demand in some regions than others, it is imperative to prepare to meet that demand months in advance. Some regions will have a high demand season (Christmas) while other regions will not. Prepare for the out-of-stock issues and always have a contingency plan Make use of point of sales (POS) data and keep in mind that happier customers and retailers result in higher profits and market sales. Nintendo wants what every company in this field wants, to be the worldwide leader in the creation of interactive entertainment. Yet if Nintendo is committed to providing vast gaming experiences for every member of the family, why would Nintendo allow even one more holiday season to pass where a Nintendo Wii is nowhere to be found? Despite merchants preparing by ordering more than the last year or the year before that, each year the demand is unprecedented. Because the supply is not meeting the demand, Team C believes that Nintendo’s sales and marketing teams need to place more importance on the actual demand of the Wii then make projections for the upcoming season.