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Nintendo's on the move -- in more ways than one

Puget Sound Business Journal (Seattle) - May 18, 2007 by [Linda Thomas](#) Contributing Writer

Nintendo has the fastest-selling video game console. Earnings are up 77 percent through March. And after 25 years in Redmond, some of its people appear to be abandoning the Northwest.

Super Mario and his friends are on the move.

Redmond city planners said Nintendo of America -- the U.S. outpost of the Japanese game maker - - has divulged plans to relocate about 80 employees in sales, marketing and advertising to either San Francisco or New York City. A Nintendo spokeswoman declined to confirm the shift or detail the company's plans for its nearly 1,000 remaining local employees.

Industry watchers speculate the split-off is a way to put key Nintendo units closer to the media's biggest players.

"Considering the success Nintendo has been having, it only makes sense to continue raising the company's profile," said Peter Rojas, founder of New York-based Engadget, a technology blog that reaches 7.5 million online readers a month.

Rojas noted that Nintendo of America President Reggie Fils-Aime lived in New York when he was with cable channel VH1. He also spends a lot of time in the city before and during product launches.

"San Francisco is a technology hub and New York City is without question the media and marketing hub," Rojas said. "Sooner or later, everybody ends up in New York."

New York is where Nintendo started in the United States.

In 1980, the Kyoto, Japan-based company set up a wholly owned subsidiary there called Nintendo of America. Two years later, it moved the headquarters to Redmond, where the operation was little more than a distribution center for the Donkey Kong arcade game.

Today, Nintendo of America plays a greater role in the company's rise to success in the \$30 billion global gaming industry. Nintendo reported a group net profit of \$1.47 billion through March -- up significantly from \$824.3 million the previous fiscal year. Sales climbed to \$8.13 billion, from \$4.27 billion.

Nintendo's recent success is driven by its handheld DS player and, especially, its new console, the Wii.

Unpromising start

A few years ago at an industry convention, Microsoft and Sony dazzled gamers with their consoles' sophisticated graphics and capabilities.

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"Nintendo didn't have much of anything to show," recalled Rojas. "Instead, they talked about making the video game experience fun for everyone, not just hard-core gamers. At the time people thought, 'Nintendo has lost it.'"

Dave Young has been with Nintendo for 17 years and currently works with the company's training group in Redmond. When he heard the Wii (pronounced "We") would be less powerful than the competition and would be built for simple games that anyone could play with a wireless remote, he thought, "Oh, no!"

Yet those characteristics helped propel the Wii to such popularity that factories can't keep up with demand.

"(Nintendo developers) obviously have a vision for where gaming is going," Young said.

Shigeru Miyamoto, Nintendo's Japan-based general manager for development and one of the fathers of the industry, already had created the Mario, Donkey Kong and Legends of Zelda characters and games. He realized that young gamers were growing up, with more responsibilities and less time to play. Nintendo wanted to build a system for them that would be fun, affordable and easy.

"We didn't want to just sell a box, we wanted to sell joy," said Perrin Kaplan, vice president of marketing and corporate affairs at Nintendo of America.

Redmond's role

While most of Nintendo's innovation comes from Japan, Redmond's role has been to refine and market the ideas, Kaplan said. Redmond and Kyoto collaborated on the Wii, she said -- and it was American culture that created a need.

"One of the challenges for American families is making time to be together, especially when kids get to a certain age," said Kaplan. "Family members were all going in their own directions, but this brings them together -- young and old."

The strategy paid off in a way that even Nintendo underestimated. Since Wii's release in November 2006, Nintendo has shipped more than 6 million of them. That has not been enough to satisfy demand. The hold-up is with production of the system's remote, which Nintendo calls the Wiimote. Kaplan referred to it as "a bit of an Einstein" and something that can only be made by a few vendors because of the technology involved.

Nintendo has promised to boost Wii production and deliveries in May, but gaming analyst Billy Pidgeon with Massachusetts-based market intelligence firm IDC doesn't expect the company will meet demand until 2009.

Nintendo has a distribution facility in North Bend and hired temps to help with the launch of the Wii. Overall, the regional work force, which includes customer-service workers, translators and administrators, remains at just under 1,000 and generates about \$3.2 million a year in state and local tax revenue, according to the industry group WSA.

"Generally the kinds of employees Nintendo attracts are well-educated; they care about education and they're involved in schools," said Lewis McMurren, vice president of government and external affairs for the WSA.

But the company has not publicly revealed exactly how many of those employees will be in the Puget Sound region for Nintendo's next round of surprises.

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