

# BusinessWeek

NEWS December 6, 2007, 5:00PM EST

## A Long, Long Wait for a Wii

Nintendo says the shortage is costing it big time, but some analysts say it's all part of the buzz machine

by [Cliff Edwards](#)

Every year at this time, four words strike fear into a parent's heart: "Limited supplies. No rainchecks." In a seasonal rite as traditional as turkey and mincemeat pie, the must-have gadget or toy of the year invariably seems to be the hardest to find despite—or perhaps because of—weeks of media and marketing hype leading up to the holidays.

This season the gizmo giving gift buyers headaches is the Nintendo Wii, the \$250 game console that features a groundbreaking wireless motion-sensing controller. Over Thanksgiving weekend, online retailer Amazon.com ([AMZN](#)) reported that its British site sold out its entire stock of Wii consoles in just 10 minutes. Each morning dozens of people line up outside the Nintendo World Store in Manhattan hoping that a new shipment has arrived overnight. Some of the elusive game consoles are going for triple the suggested retail price online.

What gives? Some think it's an old marketing ploy called intentional scarcity, in which a company purposely keeps its hot product in short supply to build buzz. In years past, stampedes and fistfights have broken out as customers hunted for Tickle Me Elmo and Cabbage Patch Kids dolls. Or is the current Wii craze simply bad planning on Nintendo's part?

The truth may lie somewhere in between. Despite selling some 13 million consoles worldwide since its launch a year ago and boosting production capacity three times this year, to 1.8 million units a month, Nintendo has been reluctant to employ a second or third contract manufacturer to get it out of the supply jam. "In my mind, not having more manufacturers under contract to build the Wii is a business mistake, but one Nintendo may not be all that upset about," says ABI Research digital-home analyst Mike Wolf.

Nintendo of America President Reggie Fils-Aimes begs to differ. The company has had a tough time forecasting demand, he says, and it's paying a price. Instead of shipping all of its consoles by boat, Nintendo is paying more to air-freight tens of thousands of them around the world and shipping overnight to retailers instead of first taking them to distribution centers. He is also well aware that bare shelves could result in a "missed opportunity" for the \$8.2 billion Kyoto-based company as shoppers turn to rival devices. For the first time, Sony's PlayStation 3 outsold the Wii in Japan last month. "A shortage just doesn't benefit us," he says.

The growing popularity of online shopping has created a booming secondary market in which individuals profit from shortages by snapping up supply and reselling at a premium. A search of eBay's ([EBAY](#)) U.S. site pulls up thousands of listings for new Wii consoles, with bidding well above the suggested retail price. Nintendo isn't pocketing any of that extra cash, but it's collecting a dividend in the form of free hype. That has allowed the company to hold fast on the price even as Sony ([SNE](#)) and Microsoft ([MSFT](#)), maker of the Xbox, have started discounting their newest machines to spur demand.

So it looks as if there's little incentive for Nintendo to crank up production. "You can extend the technology cycle of the

product by sitting just below the demand curve and creating a sense of excitement. It's something they've done very cleverly in the past year," says Laurence Knight, a partner at marketing innovation consultant Fletcher Knight. The risk is that consumers may be turned off if they begin to feel manipulated.

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