**Nintendo's Wii U games console will
be sold at a loss**


*Nintendo's Wii U will compete against the ageing PlayStation 3 and Xbox 360*

**Nintendo has confirmed that it will lose money on every sale of its Wii U console at launch.**

The Japanese firm's president revealed the news after the firm cut its profit forecast. "We had to book a loss on the hardware, which is currently in production and will be sold below cost," said Satoru Iwata.

The firm might ultimately make money through add-on sales and by cutting its manufacturing costs at a later stage. It marks a change in their business strategy.

Ahead of the launch of the original Wii console in 2006 Nintendo's US boss, Reggie Fils-Aime, told Reuters: "We will make a profit on the entire Wii proposition out of the box - hardware and software... That really is a very different philosophy versus our competitors."

**Sell now, profit later**

The decision to abandon the prospect of immediate profits in order to maximise later earnings is part of a growing trend in the tech world.

Researchers at IHS estimated that Sony lost $300 (£186) on every model of its original PlayStation 3 console in 2007. Although the company never confirmed the figure, it did acknowledge that it was not until 2010 that the machine became profitable. Microsoft pursued a similar strategy with its Xbox 360.

More recently Amazon's chief executive Jeff Bezos revealed to the BBC that it sold its new Kindle tablets and e-readers at break-even prices.

IHS has also suggested that Google is selling the 8GB Asus-made Nexus 7 tablet for the same price it costs to manufacture, ship and advertise the machine.

**Amazon has confirmed it will not make a profit from sales of its latest Kindle tablet and e-reader devices.**

"We sell the hardware at our cost, so it is break-even on the hardware," chief executive Jeff Bezos told the BBC. It is a stark contrast to the strategy of best-selling tablet-maker Apple. Mr Bezos made clear that the devices' success would depend on how many books and other media files were subsequently bought by their owners.

"We want to make money when people use our devices, not when people buy our devices," he told the BBC.

By contrast Apple has indicated in the past that it makes much of its profits from device sales while running its iTunes store "slightly above" break-even.

Android tablet makers also rely on hardware sales. While Google provides their system software for free, the search giant keeps a cut of app and digital media sales made via its Google Play marketplace.

Mr Bezos said that part of the reason his strategy worked was that users' appetite for media appeared to grow once they owned one of his devices.

What we find is that when people buy a Kindle they read four times as much as they did before they bought the Kindle. "But they don't stop buying paper books. Kindle owners read four times as much, but they continue to buy both types of books."

**QUESTIONS**

**Identify/highlight all of the examples of Cross Elasticity of Demand that are mentioned.**

**What kind of association do each these goods/services have with each other, are they complements/substitutes?**

**How are the businesses involved utilising this knowledge of XED to make a profit?**