

# Implications of Next-Generation Consoles to the Entertainment Landscape

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## Introduction

- The recent unveiling of the Xbox360 and the Playstation 3 has broad implications beyond gaming
  - First consoles with the capability to truly “own the living room”
  - Cornerstones of both companies’ consumer strategy
    - Projected at least 60MM units worldwide within three years (DFC Intelligence)
  - Nintendo is focused on a game-centric strategy and is not included in this presentation

## New console designs





## Next-gen Capabilities

- Each console is designed to act as a versatile media server throughout the home
- Key features common to both consoles
  - State-of-the-art graphics and processing
    - 3.2 Ghz processors
    - Optimized for HD (2HD outputs on PS3)
  - Robust wireless
    - PS3- 802.11b/g, Bluetooth 2.0
    - Xbox 360- 802.11 a/b/g, 2.5Ghz
    - Gigabit Ethernet
  - Expandable Storage
    - Removable 2.5" HD slot
    - Multiple Flash media slots



## Next-gen Applications

- Speculated applications of the consoles that expand beyond gaming:
  - DVR/VOD/MOD
  - Enhanced Online communities
  - Portable Device Integration
  - User Content Creation

## DVR/VOD/MOD

- The size of each console's removable HD (greater than 20GB) is far beyond that needed for traditional gameplay. This suggests:
  - Digital game distribution
  - Integration of paid content services (MSN Music, Connect, future movie offerings)
  - Mainstream adoption of DVR behavior
  - Declining storage prices and increased bandwidth and modular design will allow for future applications such as HD on demand streaming

## Enhanced Online Communities

- Both consoles have a heavy emphasis on online play and community
  - Increased time spent per title (average gameplay of over a 100hrs per title)
  - Microcommerce of extended/exclusive content
  - Mainstreaming of vidochat via console peripheral
  - Distribution of game-based video content and tournaments (eg. XTV)
  - Virtual events

## Portable Device Integration

- Both consoles will allow for content to be streamed wirelessly not only through the home but also to portable devices
  - PSP and Windows smartphones will be able to be updated with console-stored content
  - Content (video/music/gaming) will be able to be accessed remotely
  - Community presence will extend beyond the living room
  - Distribution of short form video/music content via console optimized for mobile platforms

## User Content Creation

- The combination of large affinity communities and control of near-film quality CG will allow consumers to create high-impact content with little production cost
  - Ability to customize environments and characters becoming more common in games
  - Built-in distribution network augmented by traditional online
  - Blurring of video and game based content

## Implications

- The next-gen consoles will ensure widespread adoption of DVR behavior, forcing current distributors and marketers to develop new messaging models
- Social interaction/media capabilities will potentially broaden the appeal of game consoles beyond men 18-35
- Slowly adopted technologies such as video conferencing, portable video, and remote media access will experience dramatic growth
- Game-created content will compete with traditional content creators

## Opportunities

- Marketers who are able to adapt quickly to the platform will be able to interact with consumers with a greater share of voice and relevance than they are able to with other media
  - In-game, in-between-game, exclusive content and sponsorships are now in early development
- Content creators will be able to extend existing franchises to the platform to create loyalty and regain lost audiences
  - Interaction with properties extends off the couch and becomes persistent
- Industry players that are able to look beyond the gamer stereotype will be able to create applications and content for a truly mass target

## Discussion