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 (2 HD 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 videochat 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