Implications of Next-Generation Consoles to the Entertainment Landscape
May 23, 2005

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 100hrs per title)
  – Microcommerce of extended/exclusive content
  – Mainstreaming of videocat 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