

# Kinect aims to please, but price could be a hurdle

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In this Oct. 31, 2010 photo, eleven-year-old Michael McKoy of Charlotte plays the Kinect for XBOX 360 at a Charlotte, N.C. Gamestop store. (AP Photo/Nell Redmond)

Caryn Bailey, a 32-year-old blogger and mother of two, is impressed with Microsoft's new Kinect game-control system. But she already owns the Wii from rival Nintendo, and she's not ready to shell out hundreds of dollars to switch.

That's the challenge Microsoft Corp. faces as it begins selling the long-awaited system on Thursday ahead of the lucrative holiday season. To succeed, Kinect will need to exude the kind of iPad-like magic that defies frugality and gets people spending to experience something new, even as they cut back elsewhere in the uncertain economy.

By all accounts, Kinect is loads of fun. The black, rectangular device, used in conjunction with Microsoft's Xbox 360 console, goes just below your TV screen and senses all the activity in the living room. Using a 3-D camera, depth sensors and voice-recognition software, it recognizes your face, voice and gestures as you move around and talk, without requiring you to hold a controller or wear a headset. Kinect removes the last barrier between you and the screen: the remote.

With Kinect, your on-screen character faithfully mimics your movements. Kinect also determines where you are in the room and with whom, and it can register objects so you can scan in your skateboard and "ride" a digital version on screen.

It'll have you flailing your arms to steer on-screen cars using an invisible steering wheel. It'll have you shaking your bum as you practice on-screen dance moves. It will even take a photo of you doing these things so you can post it on Facebook for everyone's amusement.

Both Kinect and Sony Corp.'s new Move controller build on the active, motion-guided gaming experience pioneered by the Wii four years ago. Both are betting that Wii owners are ready to graduate to high-definition consoles and more precise controls.

"The best thing is that you don't have to sit on a couch. You get up and move," said Bailey, who lives in Aliso Viejo, Calif., and tried the Kinect at several Microsoft-sponsored events. "There is a lot of interaction between you and the person you are playing with."

That said, you don't really need one. And at \$150 - that's without an Xbox - it's a pricey proposition in the current economic climate. Buy it with the console and throw in a few \$50 games, and the price tag for fun can quickly rise to \$400. Move, meanwhile, costs \$100 for a camera, one controller and a game, or \$400 for a PlayStation 3 bundled with a Move

controller and camera. Extra controllers are \$50 each.

"If I didn't have any gaming system, I'd choose the Xbox, without a doubt," Bailey said. "But I've already invested so much in the Wii."

Bailey, who has a 10-month-old daughter and a 3-and-a-half-year-old son, is precisely the type of customer Microsoft is going after with Kinect as it works to expand its reach beyond the "Halo" crowd by removing complex controllers from the experience. But unlike hardcore gamers, who can be counted on to open their wallets in good times and bad, people who play games more casually can be fickle.

Microsoft, which launched the original Xbox in 2001, won't disclose how much it is spending on convincing people that Kinect is a must-have item for the holidays.

"It's pretty unprecedented to see the type of retail support and marketing support and consumer enthusiasm we are seeing," Dennis Durkin, who runs day-to-day operations for Microsoft's video game business.

The marketing push includes TV commercials, Times Square billboards, product tie-ins and a slew of mall tours and midnight launches. Some newspaper reports put the spending as high as \$500 million; Michael Pachter, a video game analyst with Wedbush Morgan, believes the actual figure is closer to \$100 million.

Either way, Microsoft is playing up Kinect in what has been a gloomy year for many video game companies. U.S. retail sales of video game devices and software have declined in all but one month of the year so far, according to NPD Group. Meanwhile, games on the iPhone and Facebook are stealing some thunder from old-school big shots in the business. Even Nintendo Co.'s once-brisk Wii sales are declining, and the company recently reported its first loss in seven years for the first

half of the year.

For Microsoft, however, games are an increasingly lucrative business. In its latest fiscal quarter, the division that makes the Xbox 360 grew revenue 27 percent to \$1.9 billion. This was about 12 percent of Microsoft's overall revenue, up from 10 percent in the same period a year earlier.

In the holiday quarter, the hottest period for video games, Microsoft said it expects the division to increase revenue by 30 percent compared with a year ago, largely because of Kinect's launch.

Helping this will be gamers like 13-year-old Isabela Yarbough, who was browsing at a GameStop store in Brooklyn, N.Y., recently. She already owns an Xbox 360 and plans to ask for Kinect for Christmas.

"I like it. It's cool," she said. "I like that there is no remote."

She has a Wii, but she says she doesn't play it anymore because she prefers shooter games such as "Call of Duty." As for Kinect's \$150 price tag, Yarbough thinks it's reasonable to ask of her parents.

Ed O'Connor, who was browsing with his 11-year-old son, Sean, said he has already pre-ordered Kinect online. Sean said he is looking forward to trying out sports games on Kinect and believes its lack of controller might make it easier for his 6-year-old sister to play.

Video games are becoming a bigger part of people's lives and retailers are taking notice. Both Target and Best Buy Co. have recently increased the space they devote to games in their stores. Nik Nayar, vice president of electronics merchandising at Target, said games are as important as TVs and iPads during the holiday shopping season.

Tony Bartel, president of GameStop Corp., expects the new motion controllers to be "must-have, hard to find products over the holidays." Though he stopped shy of predicting shortages, Bartel said it'll be a "challenge" for Microsoft and Sony to fulfill demand.

Pachter, though, said that if Kinect is sold out already, as it is on some stores' websites, Microsoft may be holding back on sales to ensure enough supplies on launch day and throughout the holidays.

For its part, Sony says it shipped more than 1 million units in North America and Latin America in the 30 days since its September debut. Though Move doesn't tend to elicit the oohs and aahs that Kinect invites, Sony is confident in its approach, essentially a higher-tech version of the Wii remote. The company looked into, then abandoned, a Kinect-like controller several years ago.

"The Holy Grail of gaming has been becoming the character in the game," said John Koller, director of hardware marketing at Sony Computer Entertainment America.

It's not as easy to imagine wielding a sword, a paint brush or a golf club, he said, without a controller in hand and the precision it brings.

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