

Video-game consoles add more non-gaming features

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When Chris and Rebecca Rider sit down to watch a romantic movie together, they don't pop in a DVD or turn on the DVR. They fire up their video game console.

Once kept in rec rooms for a family's gamers, <u>Microsoft Corp</u>.'s <u>Xbox</u> <u>360</u>, <u>Sony Corp</u>.'s PlayStation 3 and Nintendo Co.'s <u>Wii</u> are increasingly being used by people who have no interest in helping Mario save the princess or the "Call of Duty" soldiers win the war.

The 31-year-old Chris Rider began <u>playing video games</u> on his family's Atari in the early 1980s. He stood in line all night in 2005 to buy an Xbox 360 the day it went on sale.

But he knew things had changed in 2009 when he sent his wife a text message at 2 a.m. and discovered she was awake, using the Xbox to stream episodes of the Scott Bakula drama "Quantum Leap" via Netflix.

Now the Los Angeles couple watches so many movies and <u>television</u> <u>shows</u> through their game console that Rider has considered canceling their DirecTV subscription.

"Since I'm a gamer, I'm always going to need a console," he said. "So why bother with anything else if I don't have to?"

As nearly 50,000 industry professionals gather in downtown Los Angeles this week for the annual E3 video game conference, players like Rider



are front and center in their minds. Instead of focusing just on hot new titles like "Halo 4" and "God of War: Ascension," companies are also showing off applications that turn their game consoles into media machines.

Video game consoles are now the most common means through which people watch content from the Internet on a television set, according to a recent study by Leichtman Research Group. Microsoft recently reported that Xbox 360 owners spend more time online watching video and listening to music than playing games.

The potential audience is big enough to make most <u>cable providers</u> drool. More than 40 million people use the Xbox Live online service - and more than half of those pay to subscribe to premium services. And about 51 million <u>PlayStation 3</u> consoles are connected to Sony's free Internet offering.

Less than four years ago, playing video games was the only thing to do online with either device. But now people can use the consoles to access Netflix, Hulu and HBO Go, enjoy sports on ESPN and on Major League Baseball's MLB.tv, and stream music through Last.FM and Sony's Music Unlimited.

"Entertainment has always been part of our strategy, but it was in the background," said Ross Honey, general manager of Xbox Live entertainment and advertising. "Now we have the content and user experience to legitimately tell a consumer, 'This is the platform for all of your entertainment.'

At Microsoft's news conference Monday kicking off the E3 convention, the tech giant announced applications from 35 new entertainment partners coming to the Xbox 360 in the next year. Among them: Univision, Nickelodeon, the NBA and the National Hockey League.



ESPN is significantly expanding its offerings on the Xbox to include live feeds of all its channels, and Microsoft is launching a music service to compete with the likes of iTunes and Spotify.

Most significantly, all of Microsoft's digital entertainment efforts are being housed under the Xbox title. The company's new music service will be called Xbox Music, and a group of applications that help consumers enjoy media on multiple devices simultaneously - looking at a map of the mythical land of Westeros on a tablet while watching "Game of Thrones" on a TV set, for instance - will be called Xbox Smart Glass.

Some in the video game industry have envisioned these developments for more than a decade. Microsoft and Sony each justified their multibillion-dollar investments in <u>video game</u> consoles in large part by saying the consoles could enable them to "own" the digital living room.

"There was a singular focus from the beginning on building what would one day be a complete living room entertainment experience," said Otto Berkes, a senior vice president of consumer technology at HBO who helped to launch the Xbox at Microsoft.

The turning point came in late 2008 when Netflix launched on the Xbox 360. It was the first simple way for millions of people to stream Netflix video on a television.

"When Netflix got on the Xbox, that's what ignited their streaming service," said Jamie McCabe, 20th Century Fox's executive vice president of video-on-demand and digital downloads.

Netflix soon became available on the PS3 and Wii. Today, game consoles are the most popular conduit, aside from PCs, used by the company's 23.4 million streaming video customers in the United States.



Dozens of apps have since followed. It's now unusual to find an online video or music service that isn't available on the PS3 or Xbox 360. (The Wii has only Netflix.)

"When digital retailers launch on these consoles, we can see sales jumps of more than 100 percent," said David Bishop, president of Sony Pictures home entertainment.

It may be a while before game companies pose a serious threat to cable giant Comcast Corp. or satellite service Dish Network. Services such as HBO Go and ESPN, in fact, require cable subscriptions to work on the consoles.

And game consoles aren't the only devices impinging on cable's turf. Most new Blu-ray players, televisions sets and tablets come with services such as Netflix and Amazon Instant Video built in.

To compete, the game companies are trying to do with digital video what they have always done best: make it interactive. An upcoming "Sesame Street" app for the Xbox will use the console's Kinect camera to scan a child's clothing and have a character onscreen wear the same color. And playoff games, they say, are no longer meant to be enjoyed while simply lounging on a recliner.

"With our sports applications you can look up live stats or, during recorded games, zoom the camera around the field," said Jack Buser, senior director of PlayStation digital platforms. "This points to the future of how we'll enjoy and interact with our media."

Of course, the more broadly the game consoles try to appeal, the bigger the risk of losing their earliest, most loyal audience. To keep them excited, Microsoft showed off a number of big-budget games at its news conference, including "Resident Evil 6" and "Gears of War: Judgment."



Sony was expected to do the same at its own event Monday evening.

"We have to continue to make Xbox the best platform for games," said Yusuf Mehdi, chief marketing officer for Microsoft's interactive entertainment division. "But even the most hard-core gamer still watches TV."

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