

# Sony faces challenge with new PlayStation

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Jack Tretton, president and CEO of Sony Computer Entertainment of America, gives a PlayStation press conference in Los Angeles on June 4, 2012. When Sony pulls back the curtain on the next-generation PlayStation videogame console, the world will see whether the Japanese consumer electronics titan has been paying attention.

When Sony pulls back the curtain on the next-generation PlayStation videogame console, the world will see how much the Japanese consumer electronics titan has been paying attention.

Sony could double-down on hardware to power even more realistic

graphics and rich game play than the impressive specifications of [PlayStation 3](#) consoles nearing the end of a life cycle started in 2006.

Or, Sony may step toward a vision outlined by chief executive Kazuo Hirai by introducing an improved console as part of an ecosystem that weaves the company's film, music, games and electronics together with the trend toward getting home entertainment online.

"Sony needs a living room experience," [Forrester Research](#) analyst James McQuivey said while discussing expectations that a PlayStation 4 will be showcased at an event being hosted by Sony on February 20 in New York City.

"They need more software, not more hardware."

The PlayStation 3 launched as an engineering triumph complete with Blu-ray high-definition disk player capabilities only to see rival Microsoft score with [Xbox 360 consoles](#) for gaming as well as online films, music and more.

"Sony can't build a company on those few people who are hardcore gamers, so they have to figure out how to bridge to the all-purpose consumer who likes games, which is most of us," McQuivey said.

"If they emphasize how this is really a television set-top box with your favorite channels and Netflix, it will mean Sony has paid attention."

Sony has remained mum, but that hasn't stopped talk of hardware upgrades such as improved graphics and controllers with touchpads, and chatter of Sony announcing its own cable-style service to route film or music content to PlayStation consoles.

Sony needs to adapt to changing lifestyles while not alienating

videogame lovers devoted to its hardware.

Low-cost or free games on smartphones or [tablet computers](#) are increasing the pressure on videogame companies to deliver experiences worth players' time and money.

New generation consoles are typically priced in the \$400 to \$500 range, and blockbuster game titles hit the market at \$60 each.



Customers have a go on a PlayStation 3 game console on November 27, 2012 in a Paris store. The PlayStation 3 launched as an engineering triumph complete with Blu-ray high-definition disk player capabilities only to see rival Microsoft score with Xbox 360 consoles for gaming as well as online films, music and more.

"Sony is under a lot of pressure," said National Alliance Capital Markets analyst Mike Hickey. "Gamers are desperate for innovation and better games."

While Sony is tethered to "legacy" hardware, companies such as Apple and Google are driving innovation with tablets, smartphones, and ways to route Internet offerings to television sets, according to Hickey.

While ramping up content and services for PlayStation, Sony also needs to motivate people to upgrade from the current model.

"If Sony wants to win it, they need to show some killer games to get people to go out and spend a lot of money for the core game experience," Hickey said.

He blamed a dearth of compelling titles as a reason for disappointing sales of Nintendo's innovative Wii U consoles introduced late last year.

"The Wii U is a case study you can't ignore," Hickey said. "Sony at least has to nail it with the games; the core market can drive the mass market."

Industry tracker NPD Group reported that just shy of \$9 billion was spent in the United States last year on purchasing or renting video or computer games.

Another \$5.92 billion was spent on game downloads, subscriptions, and play on mobile games or at social networks, according to NPD.

French videogame star Ubisoft reported that sales surged 23 percent overall in the final quarter of last year with hit installments of its "Assassin's Creed" and "Far Cry" franchises while online revenue leapt 143 percent.



Sony CEO Kazuo Hirai gives a press conference at the Las Vegas Convention Center on January 7, 2013. Sony needs to adapt to changing lifestyles while not alienating videogame lovers devoted to its hardware on the PlayStation, experts say.

"People are gaming more now than they ever have," McQuivey said. "More minutes on more devices over more types of games from consoles to mobile phones."

"Console gaming is going to face challenge because you can pull out your tablet and have some pretty amazing gaming experiences for \$1.99 or free with ads," he added.

Forrester predicts that while US households will turn increasingly to accessing the Internet through videogame consoles and smart televisions,

games on smartphones and tablets will "negatively impact" the console market.

"Tablets are in every household and the computing power of tablets is going up every year," Hickey said. "Eventually, the tablet could very well become the console."

Analyst Michael Pachter of Wedbush Securities expected Sony to remain mum about pricing and specific release date while unveiling the PS4 later this month.

"The new console will clearly be more powerful," Pachter said. "How they will use that power is unclear."

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