

Facebook takes \$2 billion dive into virtual reality (Update 3)

March 25 2014, by Glenn Chapman



An attendee wears an Oculus Rift HD virtual reality head-mounted display at the 2014 International CES on January 9, 2014 in Las Vegas

Facebook on Tuesday announced a \$2-billion deal to buy a startup behind virtual reality headgear that promises to let people truly dive into their friends' lives.

Facebook co-founder and chief Mark Zuckerberg said that the

acquisition of Oculus was a long-term bet that making the social network's offerings more immersive would pay off.

"People will build a model of a place far away and you will just go see it; it is just like teleporting," Zuckerberg said.

"I do think gaming is a start," he said in a conference call, referring to the Oculus headset's original design focus.

Zuckerberg billed the acquisition as part of a drive to build the "next major computing platform that will come after mobile."

For now, Facebook will use its resources to make Oculus headgear affordable and ubiquitous, according to Zuckerberg.

The California-based social network does not intend to become a hardware company, but Zuckerberg said it is open to people using virtual reality devices for immersive shopping experiences at Facebook.

Facebook plans to build on Oculus technology for areas such as communications, education, and entertainment.

Oculus shareholders will receive \$400 million in cash and 23.1 million Facebook shares in the deal.

Facebook called Oculus, launched in 2012, the leader in immersive virtual reality technology with a strong following among developers.

The company has already garnered more than 75,000 orders for the \$350 Oculus Rift headset development kits.

Beyond games

"While the applications for virtual reality technology beyond gaming are in their nascent stages, several industries are already experimenting with the technology," Facebook said.

"Oculus has the chance to create the most social platform ever, and change the way we work, play and communicate."



In this Jan. 7, 2014 file photo, show attendees play a video game wearing Oculus Rift virtual reality headsets at the Intel booth at the International Consumer Electronics Show(CES), in Las Vegas. Facebook said Tuesday, March 25, 2014, it has agreed to buy Oculus for \$2 billion, betting that its virtual reality may be a new way for people to communicate, learn or be entertained. (AP Photo/Jae C. Hong, File)

Oculus's headset earned raves from reviewers at the annual global technology fair CES in Las Vegas in January.

Buying it puts Facebook, the social networking leader, in competition with Oculus rival Sony for development of advanced virtual reality headsets.

Japanese consumer electronic titan Sony last week unveiled "Project Morpheus," development of a virtual reality headgear system for its new-generation PlayStation 4 video game consoles.

Facebook said Oculus will maintain its headquarters in Irvine, California, and continue developing the Rift platform.

Word of the deal stymied some analysts, who noted that the people hot to get hands on Oculus headsets have been hardcore video game players.

Google envy

"It's a cool technology," said Silicon Valley analyst Rob Enderle of Enderle Group.

"I just don't know why Facebook wants it, unless they are having incredible Google envy. It has nothing to do with social networking."

It appeared to Forrester media analyst James McQuivey that Facebook made the big-ticket buy out of fear the social network might miss out on the next big thing in Internet lifestyles.

He saw no good fit between Facebook and virtual reality, saying the technology does not promise to be an irresistible addition to social networking.

"Facebook is putting itself in a position to offer an experience we are not going to need that much, especially if it means strapping something to your head," McQuivey told AFP.

"If this is Facebook's way of getting into a Google Glass type experience, that makes a little more sense but they could do that from scratch."

Google on Monday said it is joining forces with the frame giant behind Ray-Ban, Oakley and other high-end brands to create and sell Glass Internet-linked eyewear in the United States.

The California-based technology titan billed the partnership with Luxottica as its "biggest step yet into the emerging smart eyewear market."

The first smart glasses by Luxottica for Google Glass will go on sale in 2015, the head of the Italian eyewear group said Tuesday.

Google's Internet-connected eyewear is currently in a test phase with a small number of so-called "explorers."

Glass connects to the Internet using Wi-Fi hot spots or, more typically, by being wirelessly tethered to mobile phones. Pictures or video are may be shared through the Google Plus social network.

The Oculus acquisition comes just weeks after Facebook made a deal to buy mobile messaging service WhatsApp for more than \$19 billion in cash and stock, expanding its global footprint.

WhatsApp is a mobile software program which allows users to exchange messages without having to pay telecom charges.

The WhatsApp buy is Facebook's biggest acquisition and comes less than two years after Zuckerberg's firm raised \$16 billion in the richest tech sector public stock offering.

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Citation: Facebook takes \$2 billion dive into virtual reality (Update 3) (2014, March 25)
retrieved 24 April 2024 from

<https://phys.org/news/2014-03-facebook-virtual-reality-oculus-2b.html>

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