

# Virtual reality makes progress, but still faces hard reality of sales

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For all the hype around virtual reality, the legions of developers plugging away at the technology are still searching for the experience that turns a headset that costs hundreds of dollars into a must-have device.

The latest generation of [immersive virtual reality](#) devices, which can display photo-realistic environments without making their audience nauseated, have technology industry forecasters heralding the arrival of what may become a multi-billion-dollar industry.

This year, those projections went from hypothetical to real consumer products with the release of headsets built by Facebook-backed Oculus, and HTC and Bellevue's Valve. Sony is set to enter the fray with the release of its PlayStation VR.

But virtual reality developers, investors, and other technologists gathered for the Immersive Technology Summit conference in Bellevue, Wash., recently caution that it's too early for the industry to take a victory lap.

"It's all about the content," said Chris Donahue, a senior director with chipmaker AMD. "I don't have an answer to what the 'killer app' is going to be."

Several technologists here compared the state of virtual reality today to the iPhone soon after its release in 2007. The gadget itself is cool enough, but most potential consumers are waiting for Word with Friends, Instagram, Snapchat, and the other must-have software that will

make it light up.

Many of the early games and other software built for [virtual reality headsets](#) feel more like technology demonstrations or physics experiments than fully developed experiences.

The NCAA's March Madness basketball tournament streamed some games in virtual reality to smartphone-powered Samsung Gear VR headsets earlier this year. In theory, that put viewers front-and-center at an in-demand sporting event, replicating the experience of being there.

In practice, the camera recording the action, located a couple feet off the floor at center court, was occasionally obstructed by the legs of passing referees and television cameras, giving the feeling of an ant's-eye-view. And the game action, broadcast on a smartphone screen, didn't come close to the image quality of a high-definition television.

Similarly, one of the flagship games available at the launch of the PlayStation VR, "Batman: Arkham VR," shows the promise and pitfalls of high-end VR technology.

The game puts the player in the shoes of the Dark Knight, a dream for fans of the comic book hero, taking the player from Wayne Manor to the Batcave and stops along the way in a crime investigation. PlayStation's camera tracks head and hand movements, and the sensation of presence in the digital world is powerful.

But the way players interact with that world, using motion-sensing controllers to flick at switches, examine objects, or reach for Batman's tool belt. Done from a largely stationary position, all those actions feel limited.

The games that stock the digital storefronts of the Oculus Rift and Vive,

built by a collaboration of HTC and Valve, can leave a similarly incomplete feeling, reviewers say.

"All of those are really compelling experiences, but they don't stick very long. It doesn't force you to come back," said Jon Oakes, an industry consultant with Silicon Valley Virtual Reality, said on the sidelines of the event in Bellevue. "You're going to see fantastic failures, but also some genius start to emerge."

Some of the early success stories come from business use of the medium.

Ford used to have its car design and engineering teams compare notes on coming models using PowerPoint presentations and Excel spreadsheets.

Now, all new vehicles at Ford go through an "immersive review," in which designers, engineers and executives inspect life-sized models of a car in virtual reality, said Elizabeth Baron, who manages the company's virtual reality lab.

"Forget about Excel," Baron said at the show. "Show me."

Using the immersive goggles, and displays that show others what the wearer is seeing, engineers in Dearborn, Mich., can collaborate with counterparts in California or Mexico, all while referring to the same images at the same time.

Matt McIlwain, a managing director with Seattle venture capital firm Madrona Venture Group, said more basic experiences are likely to gain traction among business users.

"The biggest things are going to be these extensions of what we do today - but they're better, because they're in three dimensions," McIlwain said.

That's applications like visualizing Excel data, or virtual-reality based meeting tools that transform an isolating medium into a social one.

Madrona's first investment in [virtual reality software](#) was a stake in EnvelopVR, the Bellevue company that hosted the Immerse conference.

Two prior iterations of the annual event were called SEA VR, a name that was changed to broaden the show's reach to technologies, like Microsoft's HoloLens, that project images into the world around in augmented or mixed, instead of virtual, reality.

This year's show sold nearly 1,000 tickets, organizers said.

Among the attendees was Bellevue-based Lightspeed Design, a film and video production technology firm.

Lightspeed is dabbling in VR, and demonstrated a film experience that paired an Oculus Rift headset with a reclining chair that moves in conjunction with the images on the goggles.

Jeff Rische, director of sales at Lightspeed, said the company envisioned the pairing on display as a hit in event marketing. Why show customers at a trade show a picture of a Mercedes, when a headset can give you the feeling of putting you behind the wheel?

The next step, as with many corners of [virtual reality](#) technology, is refining the experience and building the market for it.

"I can get a half dozen people to sit down and say, 'Wow,' " said Rische. "But how do you make money off of that?"

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