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- **Nintendo steals the show, raises the bar on portable.**
- **Sony PlayStation Move - a riposte to Kinect.**
- **3D gaming, but very different strategies.**
- **Constellation management at the fore.**

E3 2010: Day-3 Nintendo steals the show

Nintendo steals the show, raises the bar on portable
The reception has been positive for the 3DS. Although release timing and pricing are to be confirmed, the hardware itself looks like a worthy successor to the DS.

Sony PlayStation Move – a riposte to Kinect
Sony's offering in the motion controller stakes look complete and differentiated, with the target market slanted for core gaming.

3D gaming, but very different strategies
Nintendo is aiming for accessibility, Sony an end-to-end service. The two platforms are approaching 3D gaming in different ways for different objectives.

Need widespread support for your product and service
Over the medium-term, management needs to gain widespread support for products and services to succeed.

Nintendo steals the show

Braving crowds at the Nintendo press conference in the Nokia Theatre this morning at E3 we were finally rewarded with details of the long awaited Nintendo 3DS.

Exhibit 1: Nintendo Press Event



Source: BNP Paribas

Iwata san of Nintendo showed the new device towards the end as the climax of the presentation and noted that it was significantly different from past devices and their competitors' offerings. Nintendo's emphasis was on a display that did not need to have glasses for an effective 3D viewing. Iwata san also highlighted that the 3D effect was adjustable with a small lever on the right side of the screen. A new round disk shaped button on the upper left hand corner allows for navigation for the 3D aspects of the device, and accelerometers and gyro sensors allow for even greater maneuverability and interaction for end users. The wireless connectivity in the device is far more dynamic than past editions, and allows constant roaming and downloadable updates or interaction in the background. Nintendo pointed out that the wireless services would be over WiFi and free of charge to the end user, however this could become a very significant issue at a network operator level as it means millions of interactive devices could potentially be constantly connected to the network.

Exhibit 2: Nintendo 3DS



Source: Nintendo

Finally the cameras, there are now two on the outside cover, allow the user to take stereoscopic photographs that can be displayed as 3D images in the 3DS.

Exhibit 3: Close-up Of 3DS Hardware

Source: BNP Paribas

Nintendo finally conceded that nothing was as effective in explaining the 3DS as a hands on experience. An army of women bearing demo units paraded, not only across stage, but into the audience. Attendees were allowed half a minute to experience the 3DS for themselves.

At this first viewing we were able to see trailers for the upcoming Metal and Icarus. However, in the short time we had to experience the 3DS, while watching the Icarus trailer demo, we were amazed.

For those of us who have not been proponents of 3D (especially those needing glasses- many of whom are older and wear bifocals) the Nintendo 3DS is a very pleasant surprise.- since it did not cause us to experience either a migraine or the eyestrain we had become accustomed to while watching 3D movies previously. The Metal Gear Solid demo was even more impressive.

Exhibit 4: Demo Babes

Source: BNP Paribas

The technology that we saw was stable and commercially ready. The display has viewing angle limitations and will be a challenge for children who obsessively look over each other's shoulders to watch the game play as part of the social interaction. The 3DS display uses a filter (we believe similar to Sharp and Hitachi's parallax filters) over

the screen that limits the viewing angle and viewing distance to specific parameters (enough for comfortable single player use, but difficult for looking from the side) The wireless connectivity in the 3DS alleviates and complements some of the social buddy effect of the game play and may actually spur more units sold, but that still depends upon the pricing for the device.

Exhibit 5: Nintendo Booth At E3



Source: BNP Paribas

The takeaway from the show is that 3D has become an even more important battlefield for game platform vendors. Nintendo is targeting its core handheld market with a disruptive new device, Sony is adding native 3D for PS3 to differentiate the platform with several titles that would be Sony exclusive content. It is noteworthy that both companies focused on their core markets to break in with a 3D solution creating an even more heterogeneously bifurcated competitive landscape between portables and consoles. The result will be very different constellation of management strategies. Pitting Microsoft and their Xbox back into that picture also pulls the market even further with a new focus on natural human interfaces with Kinect. Garnering widespread support and alignment of the different players within the value chain are among the most critical success factors for product success.

Exhibit 6: Queue To Trial 3DS



Source: BNP Paribas

Sony versus Microsoft – Move versus Kinect

Sony's press conference this afternoon focused on its motion-sensing product called PlayStation Move, based on a camera (Eye Toy) and a wand-like device. This is tied with 3D visuals (with glasses) was Sony's direction to show innovation and differentiation. The other selling point was that their controller aimed for more realism in control through one-to-one movement tracking as opposed to being subject to a lag (as was seen with Kinect) and certain limitations in detecting motion (as seen with the Wii-mote).

The other difference to Kinect was that this controller was targeted for both core gaming contents as well as for casual user. Exclusive shooter 'Killzone 3' is planned for release during 2010 with both 3D as well as Move features, in addition to other titles such as 'The Fight'. Casual gaming will offer Move on 'Eye Pets' and the new action adventure title 'Sorcery'.

Sony has been the most forthcoming in terms of release dates and pricing for PlayStation Move:

- Release September 15th Europe, September 19th US, October 21st Japan
- PlayStation Move controller at USD49.99
- PlayStation Move navigation controller USD29.99

- PlayStation Move Sports Champions bundle USD99.99 (includes camera, controller and software)
- PlayStation 3 Sports Champions Move bundle USD399.99

The pricing for the controller received a positive reception, although reception to the idea of the additional cost for the navigation controller was rather muted. Overall the pricing looks competitive, and with the marketing partnership with Coca Cola announced, it looks as if Sony will be pushing the product hard into the holiday season.

Although Microsoft had Cirque de Soleil in their corner, Sony turned to its cult status spokesperson Kevin Butler (a fictional character played by actor Jerry Lambert, the current lead in PlayStation's marketing campaign in the US) who put a tongue-in-cheek spin on the fact that gaming was his 'master' and 'forever may he reign', having a stab at Microsoft talking about 'a hundred dancing French people the other night'. We believe Sony is playing its marketing right, not being hyper aggressive but using humor and pressing the point that Sony PlayStation will always be 'on side' for gamers. His slant on supporting gaming comes across well with his punchline 'are we in third grade?' used when discussing the lack of buttons when it comes to motion controlling devices from competitors.

Both Sony and Nintendo are taking different approaches to bringing 3D into the gaming arena. Sony has the Bravia TV, the graphics horsepower on the console and the introduction of PlayStation Move, bringing a comprehensive package albeit with a high level of user investment involved.

Exhibit 7: Using PlayStation Move3D



Source: BNP Paribas

Nintendo has experimented with 3D in the past, and its aim to reach the largest audience possible with the highest level of accessibility has led to the 3DS – which don't need glasses, without additional costs, barring the handheld hardware, user choice in turning 3D on or off, not using technology just as a selling point but a tool in which to improve gameplay.

Although comparing Sony and Nintendo these days is comparing apples and oranges, the approaches taken are neither right nor wrong, the business objectives are simply different. From a commercial standpoint, we believe that Nintendo's offering is likely to be a worthy replacement for the DS, as it brings something new to the table at what seems to be an accessible price.

Social social social

One of the buzzwords currently in tech is social networking, and this is no exception in the gaming world. Microsoft has Xbox Live with ease of access to FaceBook. Game developers are shifting in their view of games from merely products to a service (with a social connective experience). Greater levels of connectivity seen on many different platforms (3DS has automatic Wi-Fi roaming). Plans to dominate the living room with more social gaming, platforms are keen to show that they have the best set-up to offer gamers socially connective experiences.

Although this seems to be a major trend in the industry currently, we believe that despite changes in user behaviour concurrent with the growth in online communities, the fundamental essence of a successful gaming experience remains the quality of the contents. Despite greater features and functionalities being pushed out, we believe that a restricted level of audience would fully participate in them, leaving the majority of the gaming population sticking to the simpler side of life and enjoying the contents for its worth. Although having a social layer on the Internet is de rigeur for a successful model online, we believe the game industry can benefit but not necessarily see it as a major disruptive force.

Microtransactions

Downloadable contents and moves to combat piracy are beginning to show itself in the console gaming model, moving towards the online PC/mobile format. Although some publishers like Activision (ATVI US, Not Rated) believe that it is a competitive advantage to have strong retailer backing for marketing and distribution, aiming to have a long shelf life and maintain customer interests on a software title are attractive results of successful microtransaction activities.

The flipside is that discounted gaming contents such as those available on Apple (AAPL US, Not Rated) AppStore can be seen as encouraging digital content deflation, which is ultimately negative for developers and publishers. Therefore, a fine balance will need to be taken if the users are looked after and remain active with your contents, whilst gaining competitive advantage as well as making a decent return.

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