



ON THE PLATFORM EPISODE: LIVING IN A 3D WORLD

VIDEO TRANSCRIPT

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Martin: Hello, and welcome to On the Platform. My name is Martin Stoddart, and today we're going to explore some of the challenges and opportunities that platform companies face when thinking about extended reality. I'm joined by Rori DuBoff, who leads our practice that's using extended reality to drive business and brand transformation on behalf of our clients. Rori, welcome to the program.

Rori: Thanks. It's a pleasure to be here.

Martin: Great. Let's just start out with a little bit of context. So extended reality is poised to explode, according to a recent IDC report. The market is expected to grow from about 14 billion in 2017 up to more than 140 billion in 2020, and there are several key use cases emerging, including customer connections and experiences and creating and monetizing new content and services.

So the software and platform companies themselves, the opportunities are great, but so are the potential costs.

Facebook has acquired 11 AR and VR companies to date, most notably with their acquisition of Oculus for over \$2 billion.

Mixed reality startups have raised over \$3 billion in VC funds in 2017. But the market's still young and there are many questions that still remain, and the strategic risks of betting on the wrong platform are very real. So we're going to explore some of these choices and implications in today's discussion. Rori, let's just start off with a very simple question. How do you define extended reality and how do you view the market today?

Rori: Sure. So extended reality is a term that we at Accenture are using to describe the entire spectrum of different experiences that range from augmented reality, mixed reality, and virtual reality.

It's actually a term that's become quite popular, I'd say, in the last few years, so we see this term being used by other organizations and companies as well. The key here is what we noticed as we found that although VR and AR are two different types of technologies that serve different purposes, there are definitely similarities in the sense that they both deal with how you can reimagine the world around you, how you, you know, blend physical and digital worlds together.

And so rather than focus on specific technologies or specific devices, let's think about this entire spectrum and this entire space and strategically, how do we want to think about companies or brands engaging in the space and focus on sort of this new opportunity that this new platform or this new media provides us with.



Martin: Obviously VR's been around, at least in the popular press, for some time, and AR is a little bit more recent. But when you think about the market, what's holding it back? What's stopping this from really exploding from a penetration perspective?

Rori: What we're seeing, I think, is, you know, there's a few factors here that are still somewhat problematic. And I'm hopeful over the next few years we're going to get beyond these. But, you know, everything from the current form factors and the access to these different technologies.

You know, what we've seen is, as with every technology, it starts off bulkier, and it's pricier, and over time we see the technology get smaller and lighter, and the cost goes down. So when you look at your traditional VR headsets as well as augmented reality headsets like a HoloLens, you see that they're expensive. They can range anywhere from 500 to over \$1,000. They're tethered to computer systems which creates difficulty in terms of portability.

But just in this last year all the key platform providers—Oculus, Vive—they've all launched mobile devices, mobile headsets. So we're seeing, as things continue to move mobile, I think that's going to increase access and there'll be more distribution of these experiences. Particularly with augmented reality the mobile device, especially with ARKit and ARCore—so ARKit for the iPhone and ARCore for Android devices—you're seeing increasing usage of these technologies.

But ultimately, you know, once we get past the issue of price and the issue of form factor, it all comes down to the content, and what type of experiences people can access through these technologies that they don't have today. And we're seeing increasing focus on content creation and new formats of content, and purpose-driven content. And that's what's going to really push the market forward, I believe, over the next five years.

Martin: And when you talk about content, you know, I'm imagining quite a split in the market between very functional uses of content in professional settings, you know, sort of doctor's

environments, surgeries, etc., at one extreme, and then sort of Pokémon Go sitting at the other extreme. Which way do you think the market is going to be pulled? Is it going to go fun or functional, or is there going to be a natural split in the market in the types of content that are out there?

Rori: It's a good question. Overall, the XR space or more traditionally VR, there's been a presumption that most of this content is entertainment. The heritage of VR is in the gaming world. And, you know, to some extent I think enterprises have been a little bit hesitant in terms of recognizing the value of this type of content. I would say that was the case up until maybe the last six months, even a year ago. And now you're seeing a big shift moving away from just focusing on this type of content for entertainment and leisure and gaming and really the new emphasis is in the functional space, as you would say.

But I think the benefits of VR/AR content is you're creating functional content that's highly immersive. So in areas like training or education, content that might otherwise, you know, I don't want to say be boring, but pretty straightforward suddenly becomes way more engaging, way more powerful because it's in 3D, you know, you're able to manipulate it and look at it from all different angles. In finance you see 3D visualization. So we're seeing that it's not purely functional versus fun. I think you're seeing a blend of content that's able to serve both purposes.

Martin: You know, talking about the content and the emergence of new types of content, it reminds me a little bit, potentially, of where 3D TV was maybe seven or eight years ago. You know, at the time I think people assumed that the breakthroughs would come with a combination of, you know, sports and live TV content breaking through plus the movie studios, etc., jumping on board with it.

For a while it seemed that was going to happen and then, you know, it seems that that has faded away quite quickly. Do you think there's any risk here that the same thing could happen with VR, or potentially AR as well?



Rori: I get asked that question particularly, you know, people will bring up things like Google Glass and say look what happened in Google Glass. And I think actually Google Glass has not disappeared. They have an enterprise version now that is out on the market. When we look at technologies as just devices—TVs, a pair of glasses—then I think we are prone to go down a path where it's easy to say oh, that was just hype, that failed. I think what we need to look at is the broader spectrum of these experiences.

So I would say 3D TV, sure, I'm not sure it has thrived the way some people would have anticipated. Variable factors could be, you know, do you really want to put on a pair of, you know, glasses when you're sitting in front of the TV? There's that whole, you know, passive, sit back watching TV versus lean in experience. But I don't look at, you know, is the Oculus going to fail or succeed, is Google Glass going to fail or succeed. A lot of people now are talking about Magic Leap.

What I think we need to think about is the broader context. And the broader context is things are shifting. We're shifting into a world where things are in 3D. People want to interact with virtual objects in their 3D worlds. We're shifting from, you know, 2D objects that are flat text or flat video and moving outside of the screen and merging the physical and digital. So how that manifests itself, is it a 3D TV, is it a VR headset, is it, you know, another sort of pair of goggles or glasses to me is less important.

It's more about the fact that we need to think about the future of content, and the future of experiences is not going to be limited to a flat screen. It's going to be content that's coming and evolving and emerging from outside the screen. It's going to be content that's shifting into our worlds through holographics. If you see *Blade Runner* or any of these new movies they kind of envision that future. And that's where I think the focus needs to be, because there will be a lot of stumbles along the way when it comes to what is the, you know, one device or one system that works. But ultimately, over time, this kind of shift in experience is where we're headed.

Martin: So getting the content there, getting the experiences there is one part of the equation, but obviously, you know, the platform companies are in this ultimately to stand up experiences that can drive value, both for the users and for them as companies. How do we think about monetization, and how do we think about making money in VR and AR?

Rori: Yeah, that's the golden question there. So I think there's a few angles that we've been looking at. One would be, as with any new content platform, you look at the content that's being created, the demand for the content and the value associated with it. So advertising is certainly an area that people are beginning to explore. It's in its nascent formats right now. There's a lot of sensitivity around consumer backlash to advertising and understanding what the right models are, whether they're premium models or freemium models.

But creating content that has value, so it's either consumers or users are willing to pay incrementally for that or to support advertisers. That's one area I think we're going to be seeing evolve. And you're already starting to see that, you know, there's VR arcades. There's Loews Theatres I know in New York City and the West Coast as well, you can go, and for the price of a movie ticket, you can spend and have a VR experience as well.

Other areas I think that you're going to see opportunity for monetization is going to be around the cloud. And so the more content we create, people are talking a lot about this thing called the AR cloud now, which is basically storing or a replication of our physical worlds into the virtual worlds.

Hosting the cloud, all different related content management, asset management services connected to that and making those experiences that we were just talking about as frictionless and seamless as possible is another area. The 5G networks supporting the speed and delivery of all this real time content which becomes so critical in keeping the sense of, you know, when you're moving between virtual and real worlds connected. So those are some of the areas.



I also think, just like, you know, the mobile device opened up a whole new, or mobile platform, let's say, a whole new world of business opportunity for companies like Uber that never existed before, we will see, over time, new XR companies created, businesses in areas we can't imagine, whether maybe it's social XR, it could be other formats of education, gaming, a lot of opportunity for businesses to transform themselves and provide incremental value and create new products and services in the space.

So those are some of the areas, I think, you know, you're going to start to see monetization. And that doesn't include as well the cost savings, which is the opposite. So on the enterprise level, businesses are already, you could say, making money or saving money because they're using these technologies to improve efficiency, to improve delivery, to reduce error rates and speed of training, so multiple areas in which you're saving money because of these new technologies.

Martin: Right, more so sort of on the functional side of the house rather than the entertainment and fun side. Rori, you know, we could talk for hours on this, but unfortunately that's all we've got time for today. Rori, thank you so much for taking part in today's conversation.

Rori: Happy to. Thank you.

Martin: And yeah, thank you. And we hope you all enjoyed listening to today's conversation and that you will tune again next time for the next episode of On the Platform.

[End of recording.]

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