

Microsoft and Sony team up for video games in the cloud, but what's it mean for gamers?

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Microsoft and Sony usually battle it out for dominance in console video games. But in the growing realm of cloud gaming, in which games stream over the internet just as Netflix does, the two tech titans have

decided to team up.

Their collaboration, announced on Thursday, focuses on developing improved cloud delivery of games and other content, as well as delivery of Sony's current services using Microsoft Azure data center platform. The two companies will also join forces on developing smart image sensors using Sony's sensor capabilities and Microsoft's artificial intelligence technology.

Both Microsoft and Sony currently deliver digital games via their own subscription services. Games delivered via cloud computing networks appear to be the next evolutionary stage for video games.

Microsoft is expected to begin public testing of its Project xCloud [game-streaming service](#) later this year. Google plans to launch its Stadia cloud gaming service later this year, and Electronic Arts is working on its own streaming service, too.

Amazon, which owns the Twitch video game streaming platform, is reportedly developing its own game streaming service as well, and Chinese internet company and game maker Tencent is testing its own system, too.

"Sony needed an infrastructure partner to remain competitive as cloud gaming and cloud services start to gain traction," said Piers Harding-Rolls, director and head of games research and lead AR/VR analyst for IHS Markit in a commentary on the Microsoft-Sony deal. "Microsoft has deep expertise in relation to games service deployment in Azure and it is building out its own cloud gaming service in Azure—it is likely this has an impact on Sony's thinking when deciding on a partner."

What does this mean for video game players?

Not much today, but eventually playing video games might not require a \$300 to \$500 console and discs or cartridges. Microsoft already brought to market earlier this month a \$249.99 Xbox One S system that has a 1TB hard drive to store downloaded games, but no Blu-ray disc drive.

And players could eventually be able to play nearly all games together and against friends, even if they have different game systems, says David Pucik, vice president of gaming and digital strategy at market research firm Magid. (This has begun to be more prevalent with some titles including the popular game "Fortnite," playable across Xbox, PlayStation, Nintendo Switch and mobile devices.)

While the revenue-sharing and licensing issues would still need to be resolved for wider cross-platform play, "a Sony-Microsoft backend collaboration could make this process vastly simpler, a matter of flipping a digital switch," Pucik said.

True cross-platform play means you could play one game across an Xbox, PlayStation or smartphone whether you are at home, at work or on the go—allowing you to save your progress in your cloud version of the game regardless of the device. "The conversation around cross-platform among highly engaged gamers suggests very clearly that the gaming public is only going to increasingly look for more seamless, integrated, less friction-full approaches to gaming, and this collaboration is a strong step to potentially being able to deliver that," he said.

More ads could be added to games

Free-to-play video games have become a major market force. For better or worse, cloud games could expand that as it will be easier for advertisers and publishers to integrate ads into games.

Games made on discs give advertisers limited opportunities because they

could not be updated in real-time, says Anne Hunter, an executive vice president of strategy and growth with research and consulting firm Kantar. "With streaming, in-game advertising has the opportunity to align to specific campaigns and ultimately use techniques such as audience targeting pervasive in other digital platforms. Increased speed and innovative sensors will also open up new ad formats in gaming not yet imagined."

A potential loser? Retailers

Just as the Microsoft-Sony partnership will escalate the cloud gaming competition, so will it bring more pressure on brick-and-mortar retailers already buffeted by gamers' embrace of digital downloads.

"This will have a real impact on already embattled gaming retailers such as GameStop as well as on big-box stores like Walmart and Best Buy, who get foot traffic from physical game title shopping," Hunter said.

For now, the deal continues Microsoft's momentum in the cloud computing business, where it remains in second place behind Amazon, says Sid Nag, research vice president at research firm Gartner. "Gaming is one application that requires massive amounts of scale, so what better platform than the cloud because it's potentially scalable to very high capabilities," he said.

Sony needs that type of scalability to satisfy its PlayStation audience in the face of Google and Microsoft's own cloud offerings, says Harding-Rolls. Even though its PlayStation Now service is the biggest cloud gaming operator globally with 36% share of the \$387-million world cloud gaming market in 2018, "it is exposed in terms of cloud infrastructure and service delivery," he said. "It needs to partner to compete."

PlayStation Now (\$19.99 monthly, some PS4 games can be downloaded) is an on-demand [video game](#) subscription service with more than 750 games developed for PlayStation 2, PS3 and PS4. Sony also operates a broadband-delivered live TV service PlayStation Vue (starts at \$44.99 monthly).

Microsoft has its own subscription games service, Game Pass, with more than 100 Xbox games for \$9.99 per month. Later this year, Game Pass and the Xbox Live Gold online multiplayer network (\$9.99 monthly) will be available together for \$14.99.

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