The Multi-Industry Battle for Digital Living Room Entertainment

The next round of the battle over digital living room entertainment was recently kicked off by Apple and Google. Google introduced “Google TV”; it is a set-top box provided by Logitech, which may become a default way for you to look at TV shows, that comes between the cable box and your TV. It lets you search TV listings, Web video sites, and will eventually have an application (app) store. The next player is Apple that just released its second version of “Apple TV” costing $100, or two-thirds less than the first Google TV set-top box. It is basically a DVD player that includes movie and TV rentals from iTunes, allows playback of other iTune videos, and provides an outlet for Netflix movie streaming. Furthermore, it will allow wireless beaming of video and audio to and from an iPad, iPhone, or iPod Touch. Although Apple has not announced such plans, it is expected that an app store will be available on Apple TV. Because of the lower price point, Apple may have a much easier time convincing people to give Apple TV a try compared to Google TV. Although Google’s approach is a little riskier, over time, if it can get some set-top box makers, cable companies, and other producers to use Google TV as a basis for their devices (it will become as if it were operating system software), then people will get Google TV in their homes without realizing it.

Other competitors are using game boxes as an entry point for media. Microsoft Corporation has revamped its online Xbox Live service with new features such as movies streaming from Netflix. It also has a social network facility called Xbox Live Party that allows users to create a “party” where eight people online can share photos and play games together. Likewise, Sony, through its online world for PlayStation 3 owners called PlayStation Home, allows similar relationship communication and gaming. PlayStation Home is a virtual-reality environment where gamers can shop virtually through shopping malls, shoot pool with friends, or strike up a conversation. These online services are capitalizing on the popularity of social networking and virtual-reality services such as Facebook and Second Life. Xbox Live was originally launched by Microsoft in 2002, and now has more than 14 million active users, more than half of the 25 million Xbox 360 owners in 2010. Most users pay $50 a year for premium access. Interestingly, all of Sony’s networking services are offered free. Sony plans to sell special goods within the virtual world to realize revenue off its online services.

Amazon and Netflix, which have home-streaming movie services, are girding for new competition. Major telecomm and cable companies are seeking to establish new rules in the digital living room. However, some forecasters are signaling that the next generation of the living room may be lost by broadcasters and that cable will have a diminished role because of these new specialized services. They suggest that Apple, for example, is aiming to disrupt the TV market, as it has the music business. Apple has revolutionized the PC, music, and mobile-phone markets; however, at this point, both Apple and Google need broadband providers to deliver their content. But a new hybrid type of broadband providers, meaning Apple, Google, Amazon, and Netflix, have opportunity to make Apple TV and like products much more successful than their earlier failures in this market.

Because Apple has so many devices that work together in all segments of the market, it appears that they have a huge advantage in regard to distributing content over many devices. However, it remains to be seen how this battle will play out and who will win. There are other providers of content such as Hulu. Hulu provides streaming videos and television through desktop and laptop computers. It may not be a replacement for living room television, but both Google and Apple may supersede the need for services such as Hulu. Again, who is going to win this battle will be determined by the market forces across many of the service providers in this multi-industry complex of forces.