

Facebook bets on virtual reality

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It will spend \$2 billion for maker of 3-D headset as a social media tie-in

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Facebook sees the future — a 3-D virtual world where you feel as if you are hanging out with your friends rather than staring at their pictures.

To fulfill that vision, the company announced on Tuesday that it had reached a \$2 billion agreement to buy Oculus VR, the maker of a virtual reality headset. It's a bet that a technology commonly associated with science fiction can help eventually turn social networking into an immersive, 3-D experience.

Virtual reality technologies give people the illusion that they are physically present in a digital world.

Mark Zuckerberg, a co-founder and the chief executive of Facebook, said the deal reflected his belief that virtual reality could be the next big computing platform after mobile, a technology the company has spent most of the last several years adapting to, for the most part successfully. Facebook's deal came as a surprise, because Oculus, a small start-up that has not yet shipped a product to the broader public, is working on what some view as a niche technology aimed at hard-core video game players.

Mr. Zuckerberg, though, said Facebook had much bigger plans for its acquisition. "Imagine enjoying a court-side seat at a game, studying in a classroom of students and teachers all over the world or consulting with a doctor face to face — just by putting on goggles in your home," Mr. Zuckerberg wrote in a post on Facebook.

With the deal, Facebook is the latest Silicon Valley company to invest in wearable hardware that reimagines how people will one day interact with information and other forms of content. Google has taken a different approach with Glass, its high-tech eyewear that overlays maps, messages and other data on a transparent lens in front of people's eyes, through which they can still view their surroundings.

The acquisition is one of several bets

that Facebook, with about 1.2 billion users worldwide, is making in its effort to anticipate the future and secure its dominance of social communication.

For example, last month, the company announced it would buy WhatsApp, a mobile messaging app, for \$16 billion plus as much as \$3 billion in future payouts. That purchase was a bet on the fast growth in mobile messages, a type of one-to-one communication that largely bypasses Facebook.

More recently, the company has tried to leverage its strong position in mobile applications into new mobile markets,



MATTHEW LLOYD/BLOOMBERG NEWS

A virtual reality headset made by Oculus. Facebook is the latest Silicon Valley company to invest in wearable hardware.

and Mr. Zuckerberg seemed to suggest that Oculus, which now requires the horsepower of a personal computer, could one day work on mobile devices.

James McQuivey, an analyst with Forrester Research, questioned Facebook's strategy in buying Oculus, because he does not believe virtual reality has compelling applications beyond gaming.

"The fit is so poor," he said. "You could easily have done some kind of partnership."

And Brian Blau, an analyst with the research firm Gartner who worked in virtual reality over two decades ago, said that back then, "Virtual reality had hip, hype and hope." He added, "Unfortunately the story is still the same today."

Oculus Rift, the headset Oculus VR is

developing, is a boxy set of goggles that envelops the eyes of its wearers, completely surrounding their field of view with high-resolution screens that create 3-D images. Motion sensors in the headset track the movement of a person's head, shifting their view on the screen and creating the feeling that the wearer has an active presence in a virtual world.

Brendan Iribe, a co-founder and the chief executive of Oculus VR, said Facebook would be able to use the technology to allow avatars representing its members to interact with one another — perhaps by socializing at online parties.

"If you can see somebody else, and your brain believes they're right in front of you, you get goose bumps," he said.

For tech fanatics, virtual reality is a long-running dream that has never quite made the leap from Star Trek and other science fiction fantasies into a product that ordinary people would buy. It has made modest inroads in some industrial and medical applications — for treating post-traumatic stress disorder in veterans, for example.

There is hope among virtual reality aficionados that now may finally be the technology's moment. Essential components for virtual reality headsets, like high-resolution screens and motion sensors, are now relatively cheap and plentiful because of the boom in mobile devices, allowing companies like Oculus VR to make higher-quality, better-priced products than those in the past.

Oculus has sold more than 75,000 of its headsets to game developers, but has not announced when it will release a version to the public.

Facebook is paying \$400 million in cash and about \$1.6 billion in stock for Oculus, with up to \$300 million more depending on Oculus's performance.

Antonio Rodriguez, an Oculus board member and general partner at Matrix Partners, one of the two largest institutional investors in the company, said in an interview that Facebook had promised that Oculus could operate largely autonomously within the larger company, much as do WhatsApp and the photo-sharing service Instagram, which Facebook acquired in 2012.

Nick Bilton contributed reporting.

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