Game makers gear up for splashiest E3 yet

(Reuters) - The world's leading gaming hardware makers, hoping to reignite the slumping $60 billion industry, will unveil at E3 next week a range of futuristic gadgets designed to pull in a new generation of players.

Microsoft Corp is expected to announce a name and launch date for its "Project Natal" controller-free system at the annual Electronic Entertainment Expo in Los Angeles. Sony Corp will show off its competing Move motion-sensor, and Nintendo Co will give the first glimpse of its new 3D handheld device.

"This is the biggest hardware show we've had for years," said Wedbush Securities analyst Michael Pachter. "We haven't ever had hardware announcements from all three console guys at the same time. That's pretty revolutionary."

The rush of new technology comes just as the video game industry, which dwarfs the $10 billion domestic movie box office, needs it. Total U.S. industry sales -- hardware, software and accessories -- are down more than 10 percent to $4.7 billion this year through April, according to retail research firm NPD Group.

Analysts are betting on Microsoft and Nintendo to generate the most buzz, the former with a free-form motion-sensing game platform, and the latter with a 3D system that requires no glasses.

Microsoft's long-gestating Natal kicks off the festivities with what will almost certainly be a splashy, celebrity-sprinkled demonstration on Sunday.

The company -- which has lost its mantle as world's largest technology company to Apple Inc -- unveiled the peripheral device at last year's E3. This year, attendees will be keen to learn its actual name, what games Microsoft has lined up for it, and how much it will cost.

The company would not be drawn on any of those subjects before the show. Analyst price estimates for the three-camera device, which will be in stores by the holiday season, range from $50 to $200.

"Hardware sales tend to be the best stimulant to drive software sales," said Eric Handler, an analyst at MKM Partners. "Anything that can help hardware gain traction is welcome. It needs something, because software sales have been pretty bleak thus far this year."

NATAL IS BORN

The set-up -- which allows for completely hands-free games and controlling the console with voice commands -- is designed to appeal to casual players and newcomers who may not be aware of the product, rather than hardcore gamers,

analysts said.

"The dilemma Microsoft faces is convincing the person who controls the console in each household to make the purchase when the device doesn't really do all that much for him," said Pachter. "It's his mom, sister or girlfriend who would like to use it, and they're not going to be aware of it unless Microsoft does an effective of job of marketing to them."

Hooking non-gamers is key to Microsoft's push to turn the Xbox into the whole family's living room entertainment center.

"If you get Natal into a household and you get more than the core gamer to use it, you suddenly have many more people to sell movies and music and other games to," said Pachter.

Yves Guillemot, chief executive of video game publisher Ubisoft, said gesture technology will broaden the appeal beyond male enthusiasts who adore complicated adventure, shooting and sports games, often referred to as "core" gamers.

"There are a lot of people that couldn't play core games; ... the interface before was too complex," he said in a telephone interview. "They (with gesture tools) will start with easy-to-play games and they will move on to high-end games. It's a good way to make people enter the industry."

Microsoft already offers Netflix movies and Zune music and videos through its Xbox Live online subscription. There has been talk that it will add Hulu TV shows to the service at E3, but Microsoft declined to comment on that this week.

Five years after its launch, there are more than 40 million Xbox 360s in homes and 23 million paying subscribers for Xbox Live, according to Microsoft. In a best-case scenario, Natal could extend the lifespan of the machine another four or five years, potentially boosting the number of installed consoles to 60 to 70 million, said Pachter.

Typically by the fifth year of sales, hardware demand crests, but software sales are fueled by a base of users.

3D IN THE HAND

Sony will also be touting its own motion-sensing technology, in the shape of the PlayStation Move controller.

The device -- which looks like a TV remote with a colorful ball on its end -- was unveiled in March and will be on the market this autumn for less than $100, according to Sony.

The product is aimed more at experienced gamers, analysts said, but Sony will be looking to pique interest among the owners of all 34 million PlayStation 3 consoles.

"Sony is trying to take what (Nintendo's) Wii has done and take it to the next level, incorporating motion technologies into core, targeted games, first-person shooters and action games," said Jesse Divnich, an analyst at Electronic Entertainment Design and Research.

Rival Nintendo may yet make the biggest splash with its portable, three-dimensional gaming console called the 3DS.

The device, which has not yet been seen in public, will render 3D effects without glasses.

"This is the first time we are going to see 3D technology in a handheld device," said Divnich. "What does it look like? It's hard to fathom because it's never been seen before."

3D games have not caught on given the high price of 3D TVs, but Nintendo could kickstart that trend with a device under $300, said Divnich. It may also slow the migration of handheld game fans to Apple's iPhone and Google Inc's Android.

"Right now a lot of the growth is coming from Apple," said Handler. "This could be an interesting way to breathe life into Nintendo again." (additional reporting by Franklin Paul in New York; Editing by Edwin Chan and Richard Chang)

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