**OCULUS RIFT**

Chapter 2

In 2012, the time of the Kickstarter campaign that funded what became Oculus Rift, virtual reality (VR) was a new technology, with promise in gaming applications but also in many other environments such as education, tourism, or entertainment. (We will see later in the textbook that it can also be used in concept testing.) The initial Kickstarter goal was $250,000, but almost ten times that amount was raised. This suggests that there are many investors who see the enormous potential in VR, and are impressed enough with the founders that they will gamble on Oculus VR as a company to back.

Of course, VR is a new technology and the Oculus Rift, if and when developed and launched, would be a new-to-the-world product. The outcome at the time of the Kickstarter campaign is not yet known. The product could fail to hit the market altogether; it may be launched and dogged by technical problems, unreliability, or market indifference; a competitor could develop a better VR unit quicker, and so on. New products can fail because of cost overruns, poor marketing, a product that does not work properly, or competitive attack. Even if a competitive advantage is attained, it is unknown if this advantage would be sustainable by such a small and relatively inexperienced company.

The Oculus Rift was, indeed, hugely successful, and did turn out to be the first successfully launched VR product aimed at the consumer market. But this is not known at the time. How could the company reassure investors, and also reduce risk in moving forward with the development of what eventually became the successful Oculus Rift?

As seen in the case, Oculus VR launched two early pre-production prototypes, aimed at the developer and early adopter markets. These allowed the company to reduce risks: they ensured that the technology worked with the DK1 model and demonstrated the potential of their version of VR units; DK2 overcome the motion sickness problem by using OLED technology, and added some other features such as external camera and positioning tracking. At the same time, launching to developers allowed them to gain familiarity with the unit and develop content which would be available to consumers at the time of the Rift launch. Early adopters were also exposed to these early models and must have been impressed – Oculus VR risked having bad word of mouth spread about their products if they were disappointing to the early adopters.

By 2016, when the Oculus Rift was launched, Oculus had reduced risk by a considerable degree. They had identified and solved technical problems, and added several features improving the user’s experience, while at the same time keeping the unit lightweight and comfortable. The Rift was commercialized at a price of $600, much higher than the cost of the prototype versions. Consumers were pleased with the technical improvements that resulted in better tracking, audio, and ergonomics. The business version was commercialized in 2017 at a price point of $900.

As we learn from the chapter, the more new-to-the-world (or new-to-the-firm) the product is, the more risk is involved, the more likely a formal team is assigned to the product, and the more extensive is the recommended amount of testing so as to reduce risk. In retrospect, Oculus VR mitigated the uncertainties to a great extent by developing functional prototypes (more on this when we get to concept testing) which had early but serviceable versions of the required technology and allowed problems to be identified and corrected. Plus, developers and early adopters were anxious enough to get access to these early prototypes that they paid for them, thus subsidizing development costs and risk.

By the time the commercial versions of the Oculus Rift hit the market (consumer/gamer, then the B2B application), the company and its product had already received favorable publicity, the product lived up to expectation, and launch risks had been greatly lowered.

For more ideas to bring to class regarding advantages and possible disadvantages of crowdfunding, see the solution to the Indiegogo case (Chapter 4).