Virtual Strippers Could Generate Obscene Profits

Yesterday, we took an initial look at the VR market. We're trying to find out which use cases will be the "killer apps" – drive mainstream adoption of this **technology**. From our analysis yesterday, it's clear that cinema is not the future of VR.

So, what's the sector to back?

One market is games – and it's a promising one. It's a sector we've explored before, in our **interview with Roto VR**. Many games are social – meaning you can chat to your friends on a set (as you shoot them in the face). Nevertheless, most games – even the social ones – aren't principally designed for face-to-face group play. Accordingly, the insular nature of VR isn't a downside. Titles such as Arizona Sunshine and System Shock 3 are, in my view, the start of a longer term trend. Personally, I don't like to invest in creative content (it's far too hit and miss). But games hardware, such as Facebook's Oculus, and online services (such as the non-VR-specific Steam, and Twitch), give another way to invest this market. It's certainly an area to watch.

Of course, no discussion of VR in entertainment is complete without a look at the adult sector. The mainstream tube sites are starting to host VR content – a trend that's likely to continue. For a more specific sector play, check out Naughty America. Adult content is usually a private experience, so the anti-social nature of VR is a benefit, and not a drawback.

As an aside, I rather foolishly did the research for this article while on a train. That's a mistake I'd advise you not to make. Even innocent searches for company data in this sector tend to throw up a lot of NSFW content – so make sure you're careful of little eyes, and do clear your browser history afterwards.

The rise of adult VR content is well documented by the data available. PornHub's closing report from 2016 shows 38 million searches, with a strong bias towards non-US consumers, particularly those in Asia. With just over a thousand content items on its site, it's plain to see that exponential content ramping is inevitable. This sector is certainly becoming mainstream – and adult VR studios now exhibit regularly at some mainstream tech business shows. For example, I found one potential opportunity at the highly recommended Unbound technology show.

It's not just the reformatting of existing content genres that will make adult VR a hot sector; it's the prospect of producing content that's fundamentally immersive. There is already an established adult content , called point-of-view (POV) – and fans of the TV sitcom *Peep Show* will be familiar with that type of camera work. However, without VR, it's pretty daft – and consequently rather niche. I'd expect this to change, with VR's coming prevalence.

This fit between adult content and the isolating VR experience makes me think that adult content could be a potential "killer app" for VR. Gaming is certainly popular – but there are far more consumers of adult content than there are hardcore gamers. Just as in home video, and online payments, I'd therefore expect adult to be a trailblazer use case for VR technology.

Again, my investment angle would be to look for opportunities in the viewing hardware, or content production tools – rather than backing studios. Creative success is always hard to predict, and tastes are fickle. That said: I have an American friend, who does very well out of his investment in an adult studio.

It's also worth mentioning spin-off technologies. VR adult content will doubtless expand into the "Internet of Things" market. This particular niche is termed "teledildonics", and it features brands like RealTouch. For a recap of the sector, look up our highly entertaining **interview with the founders of Lovehoney**.

Beyond entertainment, there are more prosaic uses for VR technology. A sector that I'm pretty positive about is property. One of the first tech-sector investments I made was in a firm that produced 360 images, and an accompanying player – allowing customers to display their buildings online. This sector has since mushroomed and commoditised, and a whole host of firms are now producing this kind of content (**we've interviewed one**). The approach is used for existing buildings, as well as ones that have yet to be built. Much of this content is still viewed on conventional screens – but I'd expect that to change to VR, in future.

Another breakthrough in this sector is 3D scanning – which we **looked at last year**. This allows you to move through an existing building, in a virtual 3D space – including seeing views that weren't taken by the original photographer. I've seen this impressive technology exhibited by **Matterport, at the Future Property Tech show**.

My overall verdict on VR is that promising applications exist for mass-market use in the adult and gaming sectors. There's also some potential within film and TV – but I'm really not convinced, here. Certainly, some specialist sectors – such as property – will see extensive use. Accessibility could end up being ubiquitous, due to the low cost of phone-compatible sets. However, these may spend much more time on your shelf than on your .

What do you think? Will we spend most of the next decade in a VR set? Or will it become a niche way to pass the time? I look forward to hearing your views, at **andrew@southbankresearch.com**.

Best,

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