

The Web: 'Digital home' comes of age

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The "digital home" came of age in the last year as global revenues from sales of Internet-related products surged past the \$100 billion mark for the first time, experts tell United Press International's The Web.

According to new research from the Boston-based consultancy Strategy Analytics, a survey on the connected home devices, MP3 players and portable games consoles powered retail revenues to \$118 billion in the category, a growth rate of 25 percent. This year promises to be another record year, according to the study, with revenues forecast to exceed \$150 billion.

Explosive growth sectors in 2006 will include entertainment PCs, next-generation games consoles such as Xbox 360 and PS3, and new HD-DVD and Blu-ray disc players.

"Consumers worldwide are embracing the digital home," said Peter King, director, connected home devices for Strategy Analytics. "Further waves of new technologies and emerging digital product segments will support significant revenue growth for years to come."

What is more, the next few years will see unprecedented challenge and opportunity for technology players throughout the digital home industry.

With firms like Intel and Apple betting "billions" on future market leadership, established leaders like Sony and Samsung must deploy next-generation technologies that support "innovative customer experiences," said David Mercer, vice president and principal analyst for Strategic

Analytics.

If the just-completed International Consumer Electronics Show in Las Vegas is any guide, there will be plenty of these kinds of experiences in the coming years for consumers. There were approximately 20,000 new products that debuted at the show from an array of manufacturers.

But other independent research firms also confirm the trend. Dublin, Ireland-based Research and Markets said video-game consoles and handheld game consoles are greatly expanding the market for online gaming.

Overall, console and handheld online gaming subscribers increased to 3.4 million in 2004 and could grow to more than 30 million within three years.

"Whether Sony continues to offer free online console subscriptions or goes to a paid subscription service (model) when it releases the PlayStation 3 in 2006 will have a big impact on subscriber growth and revenues over the next few years," said an executive summary of the firm's report.

The report said that Microsoft is the "only console maker" so far to launch a paid subscription service. "We expect the release of the Xbox 360 and additions to its subscription service to accelerate Microsoft to just under 50 percent annual subscriber growth between 2004 and 2009," said the Research and Markets study.

What is more, the report found:

-- Sony thinks that a paid service is "too large a barrier" to console online gaming and employs free online play primarily to reinforce customer loyalty;

-- Nintendo has taken a "hands-off approach" to online console gaming thus far but is taking a very "aggressive approach" in handheld console gaming, establishing a network of WiFi hotspots in Japan, North America and Europe to host its free DS online service.

Additionally, the report said that Sony has launched several networked gaming titles for its PSP handheld console in 2005. But Sony has not been as active as Nintendo in setting up hotspot networks or marketing the online service, the report noted.

This is changing, however. Experts noted that Sony recently has synchronized the PlayStation Portable system and Sony's "Location Free" service to access live TV from almost anywhere in the world via local hotspots, along with accessing video content.

According to John Koller, senior product marketing manager, Sony Computer Entertainment America, this kind of technology has "given us a glimpse into the future regarding how a platform once limited to gaming can have broad appeal."

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