

Apple TV – Is There a Niche?

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With the Apple TV now shipping, the question remains: will people want one and, if so, what will its impact on the market be?

Equipped with a 40 Gbyte hard drive, syncing and storage capabilities, and an appealing new interface, the \$299 Apple TV – which is being touted as an iPod for television – certainly isn't the first consumer device to take the multimedia contents of a user's PC and play them back on a television.

Indeed, a whole slew of niche devices already do pretty much the same thing - not to mention the actual DVRs available from cable companies like Comcast or DISH that can store and record hi-def content for

playback, as well as Media Center PCs. On the other hand, Apple didn't invent the market for MP3 players, although it currently dominates it, thanks to its smooth, focused design.

The question is whether Apple will rise to the top, or be swamped by the existing solutions. Can it carve out a niche?

Unsurprisingly, vendors of existing products don't think so. In fact, Jeff Binder, senior director of Motorola's Connected Home Solutions, said the Apple TV unit might very well turn out to be what he characterized as a "dud."

"It's orders of magnitude less interesting than the iPod," he said of the new Apple TV. "I wouldn't be surprised if it would be a big dud, frankly, but it will give - Apple - a lot of knowledge. They're an innovative company; they'll learn from their mistakes."

When asked if Motorola was worried that Apple TV would challenge (or move in on) the set-top box market, Binder didn't seem too troubled.

"I don't really think - our set-top boxes - compete with it at all," he said. "I'm a big fan of Apple in the computing market...but just generally really I don't see it as a competitive product. It's a pretty nifty gadget, but it doesn't change the way we watch the television. It's different than how the iPod changed the way we listened to music."

Binder went on to say that there are three key areas where Apple TV fails: as a PVR (personal video recorder), in HD (high definition), and its lack of support for video on demand.

As he noted, Apple TV does not support high definition and lacks some the functionality of today's PVRs. With those devices, you can record what you want, play it back when you want, and can capture an immense

amount of content for free, and move it around the home freely with multiple PVRs with no upcharge, Binder said.

"With a PVR, I can flag CSI and have it recorded for the season. With Apple, you have to hope that what you missed is on iTunes – and that argument applies to all of the content on all of the channels," Binder said.

Michael Gartenberg, vice president and research director at Jupiter Research, takes a different view, saying that comparing Apple TV to other solutions like DVRs and is actually unfair.

"It's like being in the market for a car, and comparing a Toyota Prius to the Sequoia," Gartenberg said.

"If you're look at the Prius, you're certainly not considering the Sequoia. I just don't see - Apple TV - as competing with those products at all."

Gartenberg said that devices like the Xbox 360 and DVRs are great if you like gaming or want to watch and record high-definition video, but that's not what the primary purchasing driver for Apple TV will be.

"What this is really about is leveraging the platform that iTunes has become...getting that content to the most important screen in the home: the TV."

"If you're a part of that ecosystem, this is product form you," Gartenberg said.

He added that there are very few devices that can actually do everything that Apple TV does - and do it as simply as it does it. And while he admitted that Apple TV is not a high-end, geeky consumer product - or a replacement for a DVR or a media center PC - it does offer consumers

an appealing set of features.

"The key here is that it's an end-to-end solution across the board," Gartenberg said. "That's the power of it."

Ross Rubin, NDP's director of industry analysis, agrees with Gartenberg about Apple TV's potential appeal, but doesn't necessarily think that comparisons with DVRs and Tivo are uncalled for.

In that vein, Rubin says that Apple TV does offer a much better user experience than other products consumers typically see on the market. As he notes, many of them have solely focused on streaming, which presents a variety of problems when trying to view content on a television, such as stuttering and timing out.

Apple's sync-and-store approach on Apple TV's 40-GB hard drive eliminates many of those potential hassles, according to Rubin.

"The key differentiator is that, apart from the convenience of syncing and Apple's well-known user design, people now have access to their content on iTunes," Rubin said.

Apple claims that 70 percent of prime time programming on broadcast and major networks is available now on iTunes, Rubin added. "If you look at that, and say I'm mostly interested in a hand full of shows, you can also realistically start questioning buying that Tivo or subscribing to a DVR."

And while it might not be a product that everyone is going to run out and buy overnight (due, in part, to the fact that you need a widescreen television and a high speed network), Rubin says the Apple TV will be appealing to many consumers already in the iTunes ecosystem.

"Recall that the iPod started out as a very high priced, premium product," Rubin said. "One difference between the Apple of today and Apple of 15 years ago is that the company has done a particularly good job at scaling down the price points on its products. It's not vying to be price leader, but they can get their tech down to a price that appeals to consumers."

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