

# Netbooks popularity expected to continue in 2010

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In this product image provided by Lenovo, the S10-3 tablet notebook is shown. Lenovo Group Ltd., the world's fourth-largest personal computer maker, is banking on one category in particular: so-called "smartbooks," which are meant to combine the constant Internet connectivity and long battery life of a smart phone with the classic shape and keyboard of a laptop. The company announced its first smartbook, the Skylight, on Tuesday, Jan. 5, 2009. (AP Photo/Lenovo/Handout) NO SALES

Small and inexpensive "netbooks" were some of the most popular computers in the recession, wooing consumers with their portability and prices that were often below \$400. Now with the economy improving,

consumers will be asked to open their wallets to new styles of computers, including some costing a bit more.

Among the new offerings being unveiled at this week's International [Consumer Electronics Show](#) in Las Vegas: lightweight, medium-sized laptops meant as a step above netbooks in price and performance. There also will be at least one "smartbook" - a tiny computer that combines elements of netbooks and so-called smart phones.

That is not to say the netbook has reached the end of its line. PC makers including Hewlett-Packard, Lenovo and Toshiba are expected to show off new netbook offerings with such features as touch screens and the latest [Intel](#) Atom processors, which offer improved performance over the earlier Atoms that fueled the initial run of netbooks.

But the netbook's popularity has come at a price for the industry: slim [profit margins](#) for chipmaker Intel Corp. and the PC manufacturers.

For many PC makers, the rise of netbooks has meant falling revenue and profit from PC divisions. [Hewlett-Packard](#) Co., the world's largest computer maker, gets a third of its revenue from its PC business but just 15 percent of the company's operating profit, numbers that are shrinking thanks to netbook sales and price cuts on other machines.

And while netbooks proved that there is an appetite for highly mobile computers, consumers will likely come to want more power, more portability - or both.

Ever since Taiwan-based AsusTek Computer Inc. got the netbook craze going with its 7-inch Eee PC in late 2007, consumers have been gravitating to the devices. According to data from research company Gartner Inc., netbooks made up an estimated 10 percent of all PC shipments in 2009, up from 4 percent a year earlier.

These devices had small screens - generally 7 to 11 inches, compared with about 14 to 17 inches on a full-sized laptop - and often smaller-than-normal keyboards. PC makers kept prices down by avoiding extras such as DVD drives and Bluetooth wireless connectivity.

Netbooks were meant to be companion devices that could slip into a purse or backpack for on-the-go Web surfing, though for many consumers it was the only computer they bought in 2009.

But only so many people can buy netbooks as secondary computers, and people who buy them as their only computers will eventually trade up to more powerful machines, said John Jacobs, an analyst at market research company DisplaySearch.

Thus, the growth in netbook sales is likely to slow in the next few years. Although netbook shipments to retailers more than doubled in 2009 to 33.3 million, compared with the previous year, shipments should rise just 19 percent to 39.7 million this year, according to DisplaySearch.

In addition to netbooks, consumers can expect to see in stores a number of devices that fit above and below the small laptops in price, size and performance as PC companies try to widen the market. Many of these are being unveiled at CES even as Google Inc. announced its own widely anticipated smart phone, the Nexus One.

Lenovo Group Ltd. is banking on so-called "smartbooks," which are meant to combine the constant Internet connectivity and long battery life of a smart phone with a laptop's classic shape.

The company announced its first smartbook, the Skylight, on Tuesday.

The skinny Skylight has a 10-inch screen, full-size keyboard and 10 hours of battery life and weighs less than 2 pounds. It includes Wi-Fi,

and consumers can use it over AT&T Inc.'s high-speed data network if they sign up for a data plan. If they do, the Skylight will be able to switch automatically between the two network types.

But under the hood, it's less powerful than a netbook because it uses a weaker class of processors.

The Skylight is slated to be available in April at \$499, though AT&T may subsidize the cost for customers who also sign up for a data plan.

Because those won't appeal to everyone, store shelves will also be increasingly stocked this year with computers that are thin and light like netbooks but have more powerful processors and screens that are a bit larger at 11 inches to 13 inches. The price tags would also be a bit heftier, at \$400 to \$600.

Philip Osako, a director of product marketing for Japanese electronics company Toshiba Corp., said those laptops should resonate with consumers who want an affordable gadget that can do more than surf the Web and check e-mail on the go. As it is, netbooks aren't good at demanding tasks such as viewing high-quality video.

"It's the natural step up from the netbook," he said. "It's also a sweet spot relative to where full-size traditional notebooks are."

At the same time, PC makers are releasing a new generation of improved netbooks.

Lenovo, a fairly early player in the netbook market, will be showing the latest entrants to that line at CES, one of which has a 10-inch touch screen that swivels around to become a tablet.

The new S10-3t model, like Apple Inc.'s iPhone, will understand

multiple finger gestures, allowing you to pinch the screen to zoom in and out of photos, for instance. It will have Intel's latest Atom processor, which should consume less power and depict graphics better than an earlier version.

The S10-3t is expected to be available in January for \$500, while a similar model without a swiveling [touch screen](#) will cost \$350.

Toshiba, meanwhile, will show off the mini NB305. It keeps the 10.1-inch screen and full-sized keyboard available on the company's current mini NB205 model but adds the new Atom processor and 11 hours of battery life, two more hours than before. The netbook is expected to be available Jan. 12 with prices that start at \$350.

While DisplaySearch expects netbook growth to slow markedly in 2010, it's still projected to make up about 20 percent of the portable computer market, slightly above the market share in 2009. And Gartner believes [netbook](#) shipments will grow to 12 percent of all [PC shipments](#) in 2010, up from the estimated 10 percent last year.

Osako, the marketing executive at Toshiba, said that although the weak economy helped netbooks take off, an improvement shouldn't mean fewer sales.

"I think what netbooks have done is really opened consumers' eyes to the concept of mobility," he said.

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