Tablets are a hot, but still undefined, market for PC makers

May 28 2010, By Benjamin Pimentel

With the iPad a runaway success, other personal computer makers are gearing up to challenge Apple Inc. in what has emerged as technology's hot new market.

But would-be competitors appear to be moving cautiously into what is turning out to be a complex, shifting market, one that Apple has helped define, but may not necessarily dominate in the long run.

It clearly rules the business so far. Apple claims to have sold more than 1 million iPads during the product's first month on the market. And beyond the device, the company has its App Store, which has made the iPhone an undisputed hit in the smart-phone market and is expected to be a major competitive advantage for the iPad compared to other devices.

The tablet business has the potential to disrupt much of the traditional PC market. The devices could eat into sales of laptops -- currently the industry's biggest profit maker. Tablet devices also threaten the dominance of PC software giant Microsoft Corp. as manufacturers are leaning toward mobile operating systems to power their new devices.

The tablet frenzy began in January with a spate of announcements from computer makers. Apple's iPad was the subject of heavy rumors long before its formal announcement on Jan. 27. Other PC makers, like Hewlett-Packard, Dell Inc. and Lenovo, tried to pre-empt that news somewhat with the announcement of their own coming tablet devices at

the [Consumer Electronics Show](#) a few weeks earlier.

But other than the iPad, none of these other products have yet seen the light of day. Instead, what has followed has been a curious waiting game of sorts.

"We're hearing conflicting messages about what everyone is going to introduce," IDC analyst Richard Shim said in an interview. "This is the hard part. I can't tell you about products we don't know about. It's somewhat of a moving target."

In fact, industry watchers have been fine-tuning the way they define the market.

That's because PC companies have been making tablets for years, though that category didn't take off among consumers, and has been largely confined to niche commercial users such as health care professionals and engineers.

Now, IDC and Gartner are making distinctions between tablet PCs and iPad-like tablet devices. For example, IDC's Shim said his group defines the tablet PC as using an x86-based processor and a full operating system, typically Windows.

On the other hand, tablet devices are defined as using ARM-based chips, which dominate the cell phone and smart-phone arenas, and mobile operating systems such as Google's Android, Palm's Web OS or the iPhone operating system.

The ongoing shifts in this market were underscored by H-P, the world's No. 1 PC maker, with a scale and reach that makes it the player best positioned to take on Apple. After a much-publicized announcement on a plan to introduce a new tablet called Slate based on Microsoft's

Windows operating system, H-P is believed to be shifting gears, especially after unveiling its plan last month to acquire Palm Inc.

The company has reportedly decided to drop the Slate, and develop a new tablet, dubbed Hurricane, based on WebOS, Palm's well-regarded operating system.

"We knew what H-P was going to do, but then they changed their plans when they bought Palm," Shim said.

H-P has declined to comment on the reported changes in its tablet plans.

Analysts say it makes sense for H-P to shift from Windows to WebOS, which was specifically for mobile computing.

"H-P didn't (agree to pay) $1.2 billion just go get a smart phone," Gartner analyst Leslie Fiering said in a phone interview. "It makes sense for them to explore other routes that are made available to them through this acquisition."

Meanwhile, another PC giant, Dell, is turning to the Android operating system that Google Inc. developed specifically for mobile devices.

Neeraj Choubey, Dell general manager for tablets, said the decision was based in part on the Android Market, which would give the Dell tablet access to an "applications eco-system." Such a system has been a key strength of Apple with its highly successful App Store.

Dell is also planning to use an ARM-based processor from Qualcomm Inc. ARM-based chips are dominant in the mobile phone market, largely due to their power-efficiency -- a factor Choubey also cited as critical in the tablet, and overall mobile computing, arena.

"If you start with the technology that came out the cell phone arena, you'll have a more power-efficient device," Choubey said. "The traditional mantra on anything hardware-based is cost, cost and power."

Will Apple rule the market?

But while Apple apparently has the edge in the emerging tablet war, it is unclear if the company will end up dominating the market the way it has come to rule the digital music player market with the iPod.

Gartner's Fiering said the iPad has "raised the bar and suppliers are now scrambling to make sure they get it right."

IDC now projects 6 million tablet devices to ship this year, including 4 million iPads, Shim said. But while Apple has taken the lead, he added, the company faces the "burden of lifting or defining this entire new market," because there are no other competitive devices available.

"In the iPhone market, they learned from everybody else," he added in a video interview. "In this new space, there's nobody else to kind of bounce ideas of so to speak."

But Apple may not have to feel so alone for long.

Fiering specifically pointed to H-P's as the best positioned challenger, given its scale, reach and its upcoming merger with Palm.

"There are not too many suppliers that can pull all those pieces together," she said. "H-P could if they integrate the Palm acquisition properly."

Another IDC analyst, Crawford Del Prete, agreed saying, while the "buzz" from H-P had generally been defensive in relation to the iPad, "the longer term story is far more interesting."

"Given H-P's massive scale, I think they have the ability to drive new price points for this kind of product," he said. "With a lower price point, the category becomes for more interesting."

(c) 2010, MarketWatch.com Inc.
Distributed by McClatchy-Tribune Information Services.