

Retailers to push tablets at holidays, but drawbacks remain

October 20 2010, By Wailin Wong

First it was the smart phone. Then it was the netbook. Now the tablet is trying to be the must-have, ultraportable, Web-connected gadget.

This [holiday season](#), the [consumer electronics](#) industry is positioning tablets as the next wave of mobile Internet devices that meld the best characteristics of smart phones and computers. Their larger screen size is better suited than smart phones for activities such as reading and watching videos, while their weight makes them easier than laptops to tote. Their [computing power](#) can handle many tasks.

Yet, because the gadget falls somewhere between a phone and a laptop, its usefulness remains unproven for many consumers. And the tablet's affordability remains an obstacle for many consumers in the wake of recession. Apple Inc.'s iPad, which was introduced in April and is arguably the most recognizable tablet device, starts at \$499 and still is far from being a mainstream product. Apple sold a few million iPads in its first quarter, according to ABI Research.

A report from market research firm Gartner last week predicted that tablets -- slate devices that support touch technology and run a lightweight operating system -- will reach sales of 19.5 million units worldwide this year. Gartner also predicted that sales would reach almost 55 million units next year and 150 million units in 2013.

If the tablet takes off, it likely will push dedicated e-readers and netbooks to the fringes, said Shahid Khan, chairman and chief strategist

at MediaMorph Inc., a New York-based digital media tracking company.

"The tablet has multiple-use cases," Khan said. "I see a lot of people using them as laptops for e-mail and Web browsing. They are gradually getting used to typing on that screen. It has surprisingly, even at the price points of iPads, become a kid entertainment device."

But e-readers and netbooks are unlikely to disappear entirely. Avid readers or students may prefer a device like Amazon's Kindle, whose black and white display is designed to mimic the look of reading a book and can be seen in direct sunlight. Other consumers may want a netbook's physical keyboard.

"It would be fantastic if I could flip a switch and go back and forth" between a Kindle-like display and the full color of the iPad screen, said Willie Morris of Fort Lauderdale, Fla., who owns both a first-generation Kindle and an iPad. He bought the Apple device because he wanted a more portable replacement for his laptop.

"It was a little hard getting used to typing on the screen because it's touch instead of the haptic feedback with the (physical) keyboard," said Morris, who works in Web-presence consulting and online reputation management. "But I got used to it pretty quick."

Morris also has adjusted to keeping all of his information in the cloud, since the iPad (like other tablets) doesn't have the same kind of storage capacity as a traditional laptop. Cloud computing is an increasingly popular technology that enables computer users to access data and software over the Internet.

As for netbooks, industry data suggest that growth in these products is slowing. ABI Research had forecast in July that almost 60 million netbooks would be shipped worldwide this year. The firm last week

revised its projection to 43 million units.

Matthew Growney, founder and chief executive of Concord, Mass.-based technology company Isabella Products, said he believes the decline in netbooks makes those devices a cautionary tale.

"We've seen the multipurpose model fail, and that's the [netbook](#)," said Growney, co-founder and former managing director of Motorola Inc.'s venture capital arm. His company is focused on gadgets for narrower segments and is working on a tablet for children that combines e-reading features with drawing and other kid-friendly applications.

"The people who have a laptop and a smart phone will probably go buy a tablet, and then they'll be disappointed because the tablet isn't as good as a laptop," Growney said. "If you have a smart phone, there's nothing (more) you can do on the tablet except maybe watching video."

Consumers may develop contrary opinions as they experiment with tablets, however. Chicagoan Michael Leger said he likes typing on his iPad and has shifted all of his reading to the gadget. He also relies on it for watching videos, e-mailing, blogging and editing documents. And his toddler son enjoys playing with a simple app that involves swiping the screen with a finger to produce bright patterns resembling fireworks.

"It's not just the overnight trip, ultramobile solution," said Leger, who also owns an HTC Evo smart phone. "I can have my laptop 2 feet away from me and still opt for the iPad."

Businesses also are experimenting with tablets as a way to interact with customers. At Chicago Cut Steakhouse, which opened in September, managing partner David Flom has outfitted 40 iPads with custom software to display the restaurant's wine list. Diners can search by different criteria and pull up information such as maps and details on

wineries. The response has been positive, Flom said.

"We do have paper lists for people," he said. "But we only have to give out one paper list a night, and we're feeding about 300 people a day."

One important consideration for potential tablet buyers is price. Khan said he expects the iPad to remain at the top end, with a host of devices running Google's Android operating system filling in the middle tier. Some tablets will be sold at traditional electronics retailers, while others will be available through wireless operators and require data plans.

As more manufacturers join the fray, tablet prices are expected to drop. For example, Cherrypal launched a \$188 Android tablet this month.

The iPad is "great, (but) due to the price point it is not within reach of the entire population," said Max Seybold, chief technology officer of Cherrypal, a Palo Alto, Calif.-based maker of low-cost laptops for developing countries. "We basically came up with something that is more geared toward people who cannot afford \$500 for a tablet. ... It has almost similar feature functionality, with an emphasis on 'almost.' "

Seybold said he was a tablet skeptic until he began toting his own product.

"I'm as fast on a tablet as on a laptop," he said of his typing. "I'm at a coffee shop or waiting at the airport and I don't have to unpack (the tablet); it's not like a laptop. I get an e-mail, and I quickly respond to it."

WHAT'S OUT THERE:

Tablet fever is running high. Here's a look at the landscape:

- Apple's [iPad](#). Available now, and comes in six varieties starting at

\$499.

- Dell's Streak. Available now for \$549.99 or \$299.99 with a two-year contract at AT&T.
- Archos. The company makes tablets in varying sizes, with a 5-inch display starting at \$199.99.
- Samsung's Galaxy Tab. Expected to be available in the U.S. this year.
- Research In Motion's BlackBerry PlayBook. Expected to be available in the U.S. in early 2011.
- Microsoft. Chief Executive Steve Ballmer told an audience in London this month that "you'll see new slates with Windows on them" by the holidays.
- Motorola. Co-Chief Executive Sanjay Jha has said he's studying the tablet and believes these devices will be used very differently than [smart phones](#). "I'm excited about this," he said at a conference in September. "But if you look broadly at the convergence of computing and mobility, the tablet is just one form factor in my opinion that can be successful."

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