



More online TV unlikely to drive PC sales anytime soon

By Carmen Fleetwood

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NEW YORK (MarketWatch) -- Online TV made significant inroads this week when Walt Disney Co. (DIS) decided it would offer some of the most popular television shows from its ABC television unit for free over the Internet.

However, the growing availability of video content online isn't expected to boost PC sales in the near term but could alter the mix of machines sold over time as consumers might purchase more high-end and laptop models to take advantage of the available content.

Consumers need "tomorrow's computer, not today's" to get top-quality video capability, said Roger Kay, founder and president of Endpoint Technologies Associates Inc. of Wayland, Mass., an information technology consulting firm.

Viewing videos online requires massive storage and other features that other activities - such as listening to music - don't. For example, a half-hour, color sitcom can take up to 1 1/2 gigabytes, while a typical song takes about 5 megabytes.

And while computer users are already able to easily download and exchange song files - more music is now distributed online than by sales of CDs - video availability is still low resolution and not of the quality most are used to from televisions. Computers with high-definition capabilities, at reasonable costs, are probably five to 10 years away.

Currently, most of the television programming available for legal downloads are episodes of discontinued series such as the 1970s hit "Welcome Back Kotter," available on Time Warner Inc.'s (TWX) America Online.

The Disney deal announced this week doesn't allow users to skip over ads. The entertainment powerhouse does sell ad-free episodes of certain shows for \$1.99 each at Apple Computer Inc.'s (AAPL) iTunes online store.

But enough original programming is available online that the National Academy of Television Arts decided on a new category this year - outstanding original programming for computers, cellphones and other hand-held devices, including iPods.

Nonetheless, industry observers expected any bounce from more content offerings to be miniscule in the coming year. Research firm Gartner Inc. predicted worldwide PC shipments would grow 10.7% this year to 234.5 million units before Microsoft Corp. (MSFT) said it would delay the release of its new Vista operating system until next year. The new operating system was expected to spur more sales of PC's in 2006. Gartner said price cuts for PC's are likely to hold down any revenue increases.

Disney's move, though, is expected to force the hand of other entertainment companies to offer more prime-time programming online, and a wealth of content could motivate people to buy more bulked-up PC's to watch the shows.

That capacity might tilt future sales towards more higher-end personal computers, reversing the current trend of increasing popularity of lower-end machines that cost less.

ABC is specifically designing its downloadable prime-time shows for optimum viewing on laptops and PC monitors, and not for use on big-screen televisions or smaller devices such as Apple iPod players or 3G cellphones, which

would be able to access the Internet at broadband speeds.

Laptops could see the biggest boost in sales. With consumers strapped for time, access to television shows online means they can watch while waiting in line or traveling. And they will have freedom to watch anywhere as full Wi-Fi access becomes a reality in certain locations, such as San Francisco and Philadelphia. More than 90 localities across the U.S. have some type of initiative to provide Wi-Fi service.

But some, such as Steve Rago, principal analyst of iSuppli, a technology research firm based in El Segundo, Calif., believe the immediate beneficiary of more content will be service providers who offer broadband access to download the shows rather than any specific type of hardware.

Intel Corp. (INTC), the main supplier of computer microprocessors, has spent a great deal of effort trying to become the technology standard for media-oriented PC's with its Viiv technology. The chip maker brokered deals with 10 video-content suppliers, including AOL. The Viiv technology makes it easier to play content from the Internet on big-screen televisions.

Lack of content has been a weakness for media-center PC's, said Rob Enderle of Enderle Group, of San Jose, Calif. So the emergence of more content should help sales of these types of systems, which start at about \$1,500.

Software such as Microsoft's Windows XP Media Center and Apple's FrontRow facilitate interaction between TV's and media-capable PC's. Hewlett-Packard Co. (HPQ) has the market edge with its Digital Entertainment Center that links a PC running Media Center to a user's television for use such as video downloads.

Media contacts for Hewlett-Packard and Apple weren't immediately available for comment. Officials from Dell Inc. (DELL) and Apple declined to comment.

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