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Analysis: Can Apple's iTV Dominate the Living Room?

9.20.06 - Jim Dalrymple - MacCentral

Hewlett Packard's trying to do it. So is Sony. And Microsoft has made it a major strategic priority. And yet, for all their efforts and the resources at their disposal, none of these companies have been able to bridge the gap between personal computers and home-entertainment systems.

So why does Apple think it's going to fare any better with its forthcoming iTV device? The set-top box—previewed a week ago and slated for an early 2007 release—is designed to stream movies, music, and other multimedia files from a computer to a television set. It's part of Apple's strategic effort to extend its presence into users' living rooms.

The company will point out that it's been successful at these types of things before—look to the iPod and the iTunes Store to see examples of Apple's success outside of desktops, laptops, and software. While industry analysts aren't exactly ready to forecast doom and gloom for iTV, they're also reserving judgment on the Apple product's potential for dominating the market.

"There is this push to plug all the devices together, but everyone suffers the last 10-feet problem," JupiterResearch Senior Analyst Joe Wilcox told Macworld.

That "last 10-feet problem" described by Wilcox is the challenge of successfully integrating a device to get content from a computer to the television in an easy way. Any tech company with dreams of convergence has tried to solve this puzzle. And according to Wilcox, none of them have succeeded thus far.

Many have tried

Most companies that have tried to conquer the home entertainment market build a device and use Microsoft's Windows Media Center software. Hewlett Packard's z558, the Aria Media Center and NiveusMedia's devices are existing products that Apple will be trying to displace in the home.

While existing devices have a variety of features including HD DVD support, multiple tuners, 7.1 surround sound, DVD burning, media card readers and wireless networking, none have captured the interest of consumers in a big way.

Apple has one thing going for it that many other companies do not—a reputation for ease-of-use. "It all comes down to whether Apple can work its magic again," Wilcox said. "Can Apple take complex tasks, like seamlessly getting content from a computer to the TV, and simplify them for the everyday person?"

The company has done as much with legal music downloads. The iPod is the most popular MP3 player in the world, and Apple has focused much of its attention in recent years on integrating that device with its iTunes jukebox software. The concept of seamlessly purchasing music, downloading it to the computer, and transferring it to a portable player was a pie-in-the-sky concept when the iPod was introduced five years ago; now it's a fact of life.

While Apple clearly hopes to capitalize on the success of the marketing-leading iTunes Store to launch iTV—the company is pushing the set-top box as the perfect way to stream movies bought from the store to your TV—it's jumping into a packed market that includes software giant Microsoft.

"This is one reason that Microsoft is pursuing [its portable media player] Zune," Wilcox said. "Microsoft assumed with Windows Media Center that it could dominate the living room, but they ran into a problem called Apple and iTunes."

But Apple is taking a different approach to the living room than other companies before it, including Microsoft. While Microsoft, EyeTV DVR-maker Elgato Systems, and others have focused on products that incorporate recording and watching television programs via the computer, Apple is using the purchased model, allowing people to buy content from iTunes and then stream it to their TVs.

Microsoft has dabbled in the purchased content arena with Media Center as well, offering links to services like Cinema Now, but analysts aren't impressed with the implementation.

"You could argue that Microsoft's Media Center has an interface to Cinema Now and while the use has increased the interface has not taken hold with consumers," said Ross Rubin, director of analysis at NPD Group.

Apple isn't just competing with technology companies. Many cable providers also offer on-demand services that let viewers pay a fee to watch specific programming whenever they want—without involving the computer at all.

That's certainly a challenge, analysts say, though not one Apple can't overcome. Take the iTunes Store's Season Pass feature, which allows users to grab content from specific programs, much as they would with on-demand cable

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Tonight's Agenda

- 6:45 Help desk with Tom

6:45 **Magic Time**

New members - Brian
Dues (\$3) - Ray

7:00 Tonight's demo

Syncing Your Devices

presented by Lyle Sanders

8:00 Wrap-up - Brian



Please consider dining at C&M. With more diners, we ensure that meeting costs remain low. Thank You!!

I thought in sync was where you washed the dishes!

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Synchronization is a problem in timekeeping which requires the coordination of events to operate a system in unison. The familiar conductor of an orchestra serves to keep the orchestra in time. Systems operating with all their parts in synchrony are said to be synchronous or in sync.

Today, synchronization can occur on a global basis due to GPS-enabled timekeeping systems. File synchronization is used to maintain the same version of files on multiple computing devices. For example, an address book on a telephone might need to be synchronized with an address book on a computer.



programming. And then there's iTunes' newly added movie download service.

"iTV would have access to purchased movies. This could enable Apple to act as a pay-per-view system, but with a much broader array of content than is available on cable systems," said Rubin.

Questions remain

While Rubin and Wilcox both say it's too early to tell if Apple can ride the wave of iTunes into the living room, they agree that iTV's success will, in part, depend on the networking protocol used in the device—a detail Apple yet to divulge.

"The one key specification that could be a major factor, is what 802.11 variant [Apple] will use," Rubin said. "802.11g has had a difficult time keeping up with video streams in the home, but 802.11n is designed with that functionality in mind."

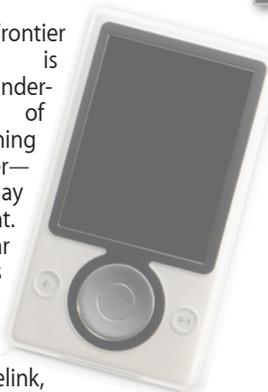
The success of Apple's iTV may have less to do with what it can do for the existing market and more to do with what else it has to offer consumers and the industry in the long term.

"Certainly they've done the usual exceptional job on the form factor," Rubin said. "The price point is in line with other products in the category, but they have not done very well. Based on the functionality of streaming iTunes Store purchased content as well as video and photos to the TV, that is not a product the mass market is clamoring for today. It will do well for the category, but we still need to know more to see if it will expand the category."

Play for Sure? Not on Zune...

9.19.06 - M. Sharp, *Insanely Great Mac*

Electronic Frontier Foundation is covering an under-reported feature of Microsoft's upcoming Zune media player—it won't play "Play for Sure" content. It's becoming clear that Redmond's current partners—Napster, Rhapsody, Yahoo, Movielink, Cinemanow, etc—will be left for dead if they're not onboard with Zune.



Microsoft's Zune will not play protected Windows Media Audio and Video purchased or "rented" from ... any other online media service. That's right—the media that Microsoft promised would Play For Sure doesn't even play on Microsoft's own device. Microsoft tried to bury this Zune "feature" in a footnote of yesterday's press release where it's clearly stated that "Zune software can import audio files in unprotected WMA, MP3, AAC; photos in JPEG; and videos in WMV, MPEG-4, H.264." Notably absent from the list are Apple's protected AAC (FairPlay) and, of course, Microsoft's own protected WMA and WMV formats. Yesterday, IGM reported that Napster is seeking a buyer or partner.

Editor's note: What're Napster's chances of finding any takers given this news? No wonder Gorog wants out...

TarMac member stories

flash memory?



Larry McCullough sent the following:

Frank,

I've been researching long term storage solutions for photos and videos and a friend sent me this. I'm not sure how stable flash memory would be for long term storage, but it sure would be nice in a notebook -- compare the stability of an iPod Nano to an iPod with a mechanical hard drive in it.

My best,
Larry McCullough

TDK Shows 32GB Flash Memory Drive for Notebooks

... Samsung commanded our undivided attention when it announced its 32GB flash drive, and now TDK rolls out its interpretation of a 32GB NAND flash memory drive. This one hooks up to a standard IDE connector and fits easily into a notebook with room to spare; the drive's just 80% the size of a regular garden-variety 2.5-inch hard disk.

Better yet, it uses less power, even while moving data along at a snappy 33.3MB per second. We're happy to predict that it won't be long now until moving parts are completely eliminated inside laptops, desktops soon thereafter, and not a moment too soon.



Global DSL use soars

9.20.06 - Stephen Lawson, *IDG News Service - MacCentral*

Soaring subscriber growth in India led a 38 percent global rise in DSL (digital subscriber line) use in the 12 months ended June 30, according to an industry group.



While India had the fastest growth, China remained the world's largest DSL market, according to the DSL Forum. On Tuesday, the group released results from a study conducted by research company Point Topic. During the period, almost 46 million more subscribers signed up for DSL, the group said.

India's DSL market grew from fewer than 250,00 subscribers in June 2005 to more than 1.5 million a year later, according to the group. DSL use also boomed in Vietnam (up 147 percent), the Czech Republic (143 percent), Morocco (141 percent) and Russia (130 percent).

China gained almost 12 million users to reach 33 million in June 2006. It became the world's largest DSL market in 2004, said DSL Forum spokeswoman Carol Friend. Still, fewer than 3 percent of China's phone lines are being used for DSL.

In the U.S., the second-largest market, DSL subscribers went up 6.36 million to more than 23 million. The growth surpassed that of cable Internet access, which gained 5.45 million users, according to the group. In the U.S. and Canada, DSL gained market share and is now the choice of more than 46 percent of the broadband subscribers, DSL Forum said.

However, the U.S. comes in number 33 for the penetration of DSL among all phone lines, Friend said. Only 8 percent of the country's lines have DSL. Finland leads the world in DSL penetration, with nearly 40 percent, followed by France with almost 33 percent. DSL penetration made big strides in France and the U.K. as speeds increased while prices remained about the same, she said. Penetration in the U.K. is now almost 25 percent. DSL subscriptions grew 45 percent in Europe, which now has 56 million DSL subscribers, more than any other region. Europe is home to 35 percent of the world's total, followed by Asia-Pacific with 18 percent and North America with 16 percent.

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