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**Tablet PCs and Smart Displays: Annual Market Growth to Top 100%**

By Lauren Gibbons Paul  
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Computer OEMs looking for lush spots in today's arid PC market should **look carefully at Tablet PCs and Smart Displays**. According to new research from In-Stat/MDR, Tablet PCs and Smart Displays present two different but distinctly fertile opportunities where greater than 100% annual growth still awaits.

Tablet PCs are handheld computer devices that run Microsoft® Windows® XP Tablet PC Edition ([More Info](#)) and accept input via a pen onto a digitizing screen, allowing the user to save handwritten notes. **Tablet PCs are aimed at corporate computer users**, who could benefit from the ability to capture handwritten notes and share document annotations.

Smart Displays are wireless devices that recreate the desktop PC experience anywhere in the home, allowing the home user to access e-mail or surf the Web from any room. To function, Smart Displays require a wireless connection. Smart Displays are part of the Windows® Powered Smart Display ([More Info](#)) program.

"**These devices have huge potential**, especially since news in the overall PC market is not good," says Brian O'Rourke, senior analyst for In-Stat in Scottsdale, Ariz. By offering Tablet PCs and Smart Displays, vendors can expand their markets beyond traditional PCs and notebooks, adds O'Rourke.

Sales for Tablet PCs to date have "exceeded expectations," though O'Rourke does not expect annual worldwide unit shipments to **surpass the 1 million mark** until 2005. In-Stat estimates approximately 350,000 Tablet PCs will ship worldwide this year. "They won't make a huge impression in the market in the short term since corporate IT spending levels are so low" due to economic conditions, says O'Rourke. "[Tablet PC sales] should take off whenever IT spending levels start coming back up."

Smart Display sales are somewhat behind those of Tablet PCs. Currently only the most cutting-edge consumers have even heard of Smart Displays. At an average price point of about \$1,000 USD for a 10-inch model, "Smart Displays are in the early adopter-innovator stage right now," says O'Rourke. Annual worldwide unit shipments will pass the 1 million mark in 2006, with this year's shipments only in

**What do you think?**

In-Stat/MDR forecasts sales of Tablet PCs and Smart Displays will start slowly but take off to over 100% compound annual growth by 2005. Do you agree, or do you think adoption rates will be slower or faster?

- This growth rate sounds reasonable
- I think adoption will occur more quickly
- I think adoption will happen more slowly

the tens of thousands. More **widespread adoption will take some time**, as more models appear on the market and prices begin to come down.

The purpose of both Tablet PCs and Smart Displays is to extend the personal computing experience, in the home as well as the office. **Opportunities abound for computer OEMs** to enlarge their markets beyond traditional PCs.

#### Tablet PCs: On the Move

Tablet PCs are most likely to be adopted by upper level managers, who roam from meeting to meeting, and sales executives, who are mobile. With their ability to capture handwritten content, Tablet PCs hold the promise of easier collaboration.

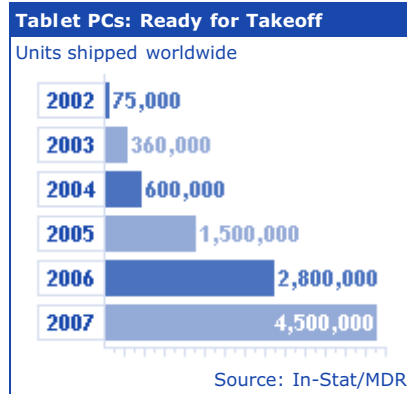
**Managers can share notes input on Tablet PCs** and also have the option of converting handwriting to text, says O'Rourke. "These devices are very light and they allow pen input, changing the way businesspeople use computers."

O'Rourke also expects Tablet PCs to make a **strong showing in vertical niche markets** where mobile professionals such as home health care workers, real estate appraisers and insurance adjusters can benefit from the ability to input information into a PC via a stylus instead of a keyboard.

This year and next, Tablet PCs will make up 1% to 2% of notebook PC shipments but will **ratchet up to 3.5% of notebook PCs in 2005**, according to In-Stat estimates. By then, Tablet PCs will begin to cut into the market share of ultraportable PCs, which target the same users as Tablet PCs.

Currently, Tablet PCs are about \$500 to \$700 USD more expensive than typical notebook PCs. "That's a pretty wide gap. That will be enough to prevent wide-scale purchase by corporate IT managers, at least for now," says O'Rourke. That **price differential will fade in significance** when -- and if -- corporate IT budgets recover from their current moribund state.

**North America will be the biggest market** for Tablet PCs, with Europe and Asia being the two other major regional adopters. Tablet PCs will tend to do well in markets where notebook computers sell well, says O'Rourke. In-Stat expects Japan to be a significant market for Tablet PCs, but only when the decade-long recession plaguing that country lifts. Tablet PCs will have an advantage in Asian markets because of their ability to accommodate character-based writing systems such as kanji.

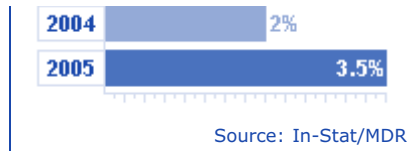


#### Smart Displays Head for Home

The market for Smart Displays is



currently limited by price points that can hit \$1,500 USD -- out of reach of the average consumer.



Another limiting factor is a general lack of consumer awareness. "Consumers aren't terribly aware of these right now," notes O'Rourke. **Few vendors offer Smart Display models** at present, although ViewSonic and Philips are two early players.

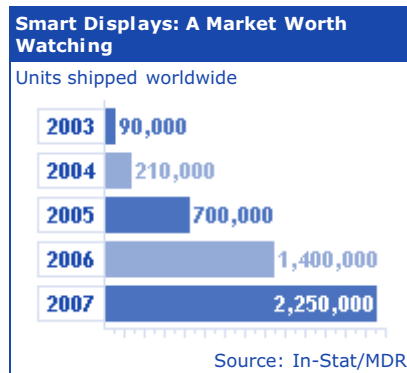
**Still, Smart Displays present a great opportunity** since they allow computer OEMs to sell another product in addition to desktop PC equipment into the home. Smart Displays run Windows CE .NET ([More Info](#)) but are slave to a PC running Microsoft® Windows® XP Professional ([More Info](#)), so they will appear first in markets where PC penetration is highest. North America will be the top Smart Display market in the foreseeable future, according to In-Stat.

Along with falling prices and additional models, several **other factors will drive Smart Display acceptance.** The current generation of equipment is not built to run multimedia applications such as streaming video. Next generation Smart Displays -- due by year's end -- will have the ability to stream video, enabling consumers to send video clips in e-mail messages as well as view movies and music videos.

"Right now, consumers can get e-mail and access applications on Smart Displays but in order to make this a differentiating product, they need to be able to access and send video. That will happen with the new models late this year and early next year," says O'Rourke.

Smart Display acceptance **closely tracks broadband and 802.11 wireless acceptance**, according to O'Rourke. "It makes most sense to target broadband households. They already have the home networks. They would be most interested in extending Internet access throughout the home," he says.

The United States, Canada, Japan and South Korea are among the leaders in broadband acceptance levels, so Smart Displays can be expected to thrive in those regions. **Most of Europe will lag**, however. "[Smart Displays] will take longer to catch on there



because Europeans are more interested in portable mobile devices such as mobile phones. They're building these capabilities up from mobile phones rather than down from PCs," says O'Rourke.

Though they target different markets, Tablet PCs and Smart Displays may be the oasis computer OEMs are seeking in the current dry market. Though sales will not take off for two to three years, **these products hold hope** for vendors that are looking for ways to push out beyond slow-growing traditional PC markets," says O'Rourke.

#### About In-Stat

In-Stat offers a broad range of information resources and analytical assets to technology vendors, service providers, technology professionals and market specialists worldwide. The company covers the full value chain of the electronics industry, from semiconductors to computers, Internet appliances and networking devices. For more information on the Tablet PC report, [click here](#).

*Lauren Gibbons Paul has more than 15 years of experience as a writer and editor for leading business and technology publications, including eWEEK, CIO, Managing Automation and Network World.*

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