

Google takes another shot at the TV market

Alexei Oreskovic, Reuters

Google Inc is making another push to bring its Web savvy to television sets, hoping to tap into a vast new market despite consumers' lukewarm reaction to its initial offering.

The Internet search engine unveiled a revamped version of its Google TV service on Friday, bringing new features aimed at making the product easier-to-use and more appealing to consumers.

The new 2.0 version of Google TV provides new tools for recommending movies, TV programs and online videos to TV viewers, and makes it easier for software developers to create new apps for the television screen.

"There's a lot of thirst for using the Web in the living room," said Google Product Management VP Mario Queiroz, who is leading the Google TV initiative.

But in a sign of the many challenges that have frustrated Google's ambitions to conquer the living room, as well as those of other tech companies including Apple Inc, Queiroz described Google TV as a "long-term bet."

"I don't know what exact month this will take off," he told Reuters during a demonstration of the new product at Google's Mountain View, California headquarters last week. "I do think there's been a lot of progress over the past year and this next year there will be a lot more progress."

Google TV -- which currently comes built-in on certain Sony Corp television models and on Logitech International set-top boxes -- allows consumers to access online videos and websites on their TVs, as well as to play with specialized apps such as video games.

Google does not disclose how many users it has for Google TV, which was launched with great fanfare last year. But some analysts say that version 1.0 of the product has been a flop.

"The fire they were trying to start never even got a spark," said Forrester Research analyst James McQuivey.

The \$299 price for the least-expensive Google TV device was too high, said McQuivey (Logitech has since reduced the price of its device to \$100). And the fact that many of the television networks, perhaps sensing a threat from Google, blocked the Web-based versions of their shows from being accessible on Google TV devices created confusion among consumers, he said.

But TV is too attractive a market for Google to ignore, say analysts.

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For Google, which generated 96 percent of its revenue from advertising last year, television represents a significant opportunity for expansion. According to industry research firm IDC, television advertising in the U.S. this year is expected to be a nearly \$70 billion market.

Having a foothold in the living room could also be important for Google as the lines between traditional media and the Internet blur and as Google moves to bolster the rich trove of amateur videos on its YouTube website with professionally-produced content.

Other tech powerhouses also recognize the TV opportunity, including Microsoft Corp, which has taken steps to turn its Xbox video game console into a general-purpose media player.

In the newly-released biography of Steve Jobs, author Walter Isaacson relates a conversation in which the recently-deceased Apple co-founder said he was interested in creating an "integrated television set" that seamlessly connected with the Internet and with all of a consumer's electronic devices. So far analysts say that Apple's foray into the TV market has been a rare failure for the iPhone maker.

"The reason these companies have all been eyeing this market is that there's not that many markets that are 200 million plus units a year and have an installed base of a billion plus screens," said IDC analyst Danielle Levitas, referring to global sales of TV sets. "You can't ignore markets that big, on screens that are that important in terms of hours spent and media delivered."

THE MOTOROLA FACTOR

One advantage that Google could have in the TV market is its planned \$12.5 billion acquisition of Motorola Mobility Holdings Inc, which makes cable television set-top boxes as well as mobile phones.

"If I were Google, the first thing I would do is put (the Google TV software) into the next round of Motorola set-top boxes and say (to the cable providers) 'We'll give you half-off for these things, if you put Google TV in,'" said McQuivey of Forrester Research.

Google's Queiroz declined to discuss how Motorola might fit into the Google TV plans other than to note that Google has said it plans to run Motorola as a separate business after the acquisition closes.

Beginning on Sunday, Google will automatically upgrade the software on existing Sony Google TV devices that are already in consumers' homes, with software updates to Logitech coming shortly thereafter. New Google TV devices, from manufacturers including Samsung and Vizio, are expected next year.

Google has built Google TV on the new "Honeycomb" version of its Android operating system. The company has also redesigned the look of Google TV, replacing the cluttered, computer-like screen full of options with a more minimalist

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strip of graphical icons that sits at the bottom of the TV screen.

Google's Android Market, the central clearinghouse for the smartphone and tablet apps designed to run on the Android operating system, will now be available on Google TV. That means software developers that make smartphone applications, such as Rovio's Angry Birds, will easily be able to offer versions that run on Google TV.

But in contrast to Internet-connected smartphones, which have become incredibly popular in recent years, Web TV products from Google and other companies face a steep road as they strive to prove their worth to consumers, say some analysts.

"It's an incredibly difficult screen to figure out," said IDC's Levitas, noting that unlike with smartphones and PCs, a TV is often viewed by multiple people at the same time and has two disparate experiences -- standard television programming and Web content -- that need to be cleverly tied together.

"The TV is going to be the last frontier we crack in terms of the connected experience," said Levitas.

(Reporting by Alexei Oreskovic, editing by Bernard Orr)

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