



December 27, 2007

Top Consumer Technology Predictions For 2008

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EXECUTIVE SUMMARY

In consumer technology, 2007 was clearly the year of the iPhone and Facebook. Apple's foray into the mobile handset market spurred innovation among the Cupertino company's new competitors, gave partner AT&T a much-needed halo of cool, and opened consumers' eyes to the possibilities of the mobile Internet. Meanwhile, Facebook raced past MySpace.com as the social network of choice. What will 2008 bring in consumer technology? More change, of course, but these changes are less about wrenching disruptions and more about laying foundations — such as the steady expansion of North American WiMAX networks — or continuing inevitable growth, such as Windows Vista, social networking ecosystems, and the mobile Internet.

2008 WILL BE A YEAR OF TRANSITION IN CONSUMER TECHNOLOGY

Global consumers continued to exhibit their insatiable appetite for all things digital in 2007, from the long-awaited iPhone introduction to the explosion of Social Computing. Looking to the year ahead, Forrester predicts that:

- **More people will watch TV shows on the Internet than will watch TV shows on DVRs.** Although DVRs are a consumer favorite, and 36% of homes in the US will have one by year-end 2008 (37% growth over 2007), the convenience of online TV show viewing will make it more common.¹ There's no box to rent or buy, no hard drive to manage, and no tedious interface to work through to record and then playback recordings. That's why we expect that nearly half of all North American online adults — 38% of people — will watch at least some TV online in 2008, making online TV watching as common among Netizens as online shopping.
- **WiMAX networks' reach will significantly outstrip growth.** When Sprint announced its commitment to WiMAX on August 8, 2006, the company said that its network (later branded Xohm) would cover 100 million US subscribers by the end of 2008.² Clearwire, Sprint's erstwhile partner and fellow WiMAX adherent, today has service available to 14.8 million consumers in the US and overseas.³ Despite uncertainty about the strategy of Sprint's new CEO, Dan Hesse, Forrester believes that both Sprint and Clearwire will indeed build out to make WiMAX service available to 100 million subscribers — but that it will end 2008 with less than two million subscribers in total. Why? Because mobile Internet adoption is just beginning to resonate with consumers, and new device form factors such as mobile Internet devices will fail to tell a compelling story that motivates a significant change in consumer behavior.

- **Apple will hit — but not blow out — its iPhone sales target.** When Apple CEO Steve Jobs announced the iPhone in January of this year, he stated a modest goal: capture 1% market share by the end of 2008.⁴ That translates to 10 million phones sold; through the end of October, Apple had sold almost 1.4 million as it geared up for November launches in the UK, Germany, and France. Apple will reach its sales goal in the fourth quarter of 2008, assisted by sales in Asia and — most importantly — an updated model launching in 2008 that addresses its biggest weakness: the lack of a high-speed cellular modem.
- **The green PC will debut.** 2008 will see the introduction of at least one line of green personal computers aggressively marketed to consumers that want green electronics. This line will feature: 1) highly energy-efficient operation (well beyond ENERGY STAR version 4.0 standards); 2) highly modular and upgradeable design that increases its potential lifespan; 3) low-impact manufacturing and distribution; and 4) highly recyclable materials and components. The manufacturer will join with one or more consumer electronics retailers to promote this product line to green-oriented consumers.
- **Windows Vista will find its way into 27 million US consumer households.** Despite its public relations challenges, Vista will continue to enter consumer homes via the pathway that Forrester predicted from the start: PC replacement cycles. Nearly all consumer PCs sold in 2008 will ship with Vista, making its entry into consumer homes nearly automatic.⁵
- **Social network widget developers will gain adoption — and advertising dollars.** 2008 will be the year that social networks open up their platforms for third-party developers to build on top of their existing communities. Development teams like RockYou, Slide, and Widgetbox will deploy applications across multiple social networks, and via these applications consumers will start to share data across social networks. Some major challenges will be that developers will have to re-code for local application programming interfaces (API) and prepare for Google's OpenSocial API — continued complexity. Also, we'll soon learn that applications don't work well from one network to another — each community has different needs, and customization is required. Enter the widget advertisement networks: These third-party widget developers will start to monetize, and interactive marketers will build widgets that can traverse many social networks.
- **Nearly 30% of online mobile subscribers will access the Internet on their phone . . .** The iPhone has provided consumers with a vision of what the Internet on a phone can mean. Behemoths like Google and Yahoo! see mobile phones as the next source of growth, wireless carriers like Verizon and T-Mobile say that they'll open their networks to new devices and applications, and Nokia is moving beyond phones to become an Internet portal. Is 2008 the year that the mobile Internet finally explodes? No, but it will continue its steady growth among the segments that have embraced it to date: online GenYers and Gen Xers, who constitute more than half of all online mobile subscribers.⁶

- **... but messaging will continue to dominate mobile marketing efforts.** In 2007 marketers from Procter & Gamble to Target to Bank of America to Pfizer embraced mobile as a channel. While new entrants ran “text to win” campaigns using marketing funds slated for experimenting in new channels, old hands moved mobile into the planning process as yet another component of an integrated campaign. In 2008 today’s experimenters will move mobile further up the planning chain, but banner ads and search marketing — the stalwarts of the fixed Internet — will continue to take a back seat to messaging. Why? Because messaging will continue to reach a much larger audience, and accessing the expanding base of mobile Internet users via banners and search requires marketers to make deals with a wide range of operators, content aggregators, publishers, and portals.
- **New mobile form factors will proliferate, but none will break out.** PC makers and mobile phone OEMs continue on their crash course toward one another — PCs like the OQO are not that much larger than T-Mobile’s latest Sidekick devices, while Asus’ Eee PC squeezes a traditional laptop into a 7-inch enclosure. Simultaneously, new form factors like Nokia’s excellent N810 Internet tablet, Amazon’s Kindle e-book reader, and Garmin’s media-playing portable navigation devices create new use models. 2008 will see further experimentation, but each of these new form factors will only catch on with small groups of devoted zealots — 2009 will be the year when mobile Internet devices (MIDs) enter the market in force.

Acknowledgments

The authors gratefully acknowledge the contributions of the following Forrester analysts: Paul Jackson, Charlene Li, Christine Spivey Overby, and Jose Paradis. Remy Fiorentino and Heidi Lo provided research support.

ENDNOTES

- ¹ One in four online adults will engage with online video. See the September 7, 2007, “[The State Of Consumers And Technology: Benchmark 2007](#)” report.
- ² Source: “Sprint Nextel Announces 4G Wireless Broadband Initiative with Intel, Motorola and Samsung,” Sprint Nextel press release, August 8, 2006 (http://www2.sprint.com/mr/news_dtl.do?id=12960).
- ³ Source: “Clearwire Reports Third Quarter 2007 Results,” Clearwire press release, November 9, 2007 (<http://investors.clearwire.com/phoenix.zhtml?c=198722&p=irol-newsArticle&ID=1075426&highlight=>).
- ⁴ Source: Steve Jobs, Keynote speech at Macworld Conference & Expo 2007, January 9, 2007 (<http://www.apple.com/quicktime/qtv/mwsf07/>).

- ⁵ In the US consumer market, the best predictor of Windows Vista uptake is Windows XP's adoption history. Forrester's historical tracking of the installed base of computers — since 1998 — gives us a view into how Windows Vista will progress. See the November 3, 2006, "[A Forecast Of Windows Vista Consumer Adoption](#)" report.
- ⁶ Source: North American Technographics® Benchmark Survey, 2007.