



# 'Cheap As Chips'

By Mike Walsh

Consumers have had a seemingly indefatigable fascination with gadgets as they shrink into smaller and smaller form factors. Lately though, the main thing getting tiny has been price points. From PCs to video cameras, the best selling items in the market are low cost units. Naturally, there are big trade-offs in performance. It's worth thinking about why no one seems to care.

Firstly the numbers. The FT newspaper [reports](#) reports that the new category of 'netbooks' - low priced tiny laptops with small 9 inch screens - are on target this year to sell 10.8m units, rising in 2009 to 20.8m, or 11-12 per cent of the entire laptop market. To that point, Microsoft came out last week with the observation that virtually all the growth in new PC sales in the developed world in recent months had come from this new category of computers. No wonder they are accelerating plans for a cloud based application suite.

Along a similar vein, the real hit in the consumer electronics world lately has not been the iPod but Pure Digital's Flip video camera. Selling for under \$200, the Flip has become the No.2 best selling video camera in the US, and has shipped over 1 million units. The brand is rapidly approaching 20% market share. Not bad for a low resolution, low fidelity device with only an hour's video storage. However the Flip does have a killer app - the ability to directly upload videos to video sharing websites like YouTube and MySpace with a flip out USB plug.

I have two observations about this cheap and cheerful trend. Firstly, as more of the heavy lifting in software moves to web based applications and consumers gain access to faster mobile broadband - this takes a lot of pressure off devices to be super powerful themselves. Why process, when you can access the super computed results of a Google, Amazon or Facebook? Why store, when you can stream?

Secondly and most importantly, consumers are discovering that the real fun in communications or content these days is not what your device can do, but how it relates to their broader social interactivity. Taking a video in high resolution is well and good, but it's much more interesting to shoot something and share it with your friends who will immediately comment on it and forward it around. HD post production is a time killer and requires too high a learning curve. If anything, social media has conditioned us for instant gratification. And fortunately for now at least, that has a low price tag.

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