

AppleTV® to Enjoy Modest Sales but Spur Online Movie Downloads

*Apple's New Living Room Strategy to Generate Early Sales among Enthusiasts,
Sales to Grow Slowly as Consumers Adapt to Online Movie Downloads*

April 24, 2007 (Dallas TX) – The combination of Apple TV® and an expanding iTunes movie catalogue will both help position Apple as a leader in next-generation living room media and energize the nascent online movie download (OMD) business.

According to a new report from The Diffusion Group, the nation's leading connected home and IP media consultancy, Apple's first official foray into the home living room, Apple TV, will enjoy modest early demand but fall well short of the iPod-like expectations others have set for the platform.

"At this point, the entire OMD sell-thru market hinges on the success or failure of Apple TV," notes Dale Gilliam, director of primary research and co-author of TDG's most recent IP media report. "Without a way to stream movies to the TV, the OMD sell-thru market remains little more than a niche/stop-gap between the current physical-media-dominated distribution model (the DVD) and a totally network-based distribution model where movie access is instant and physical media either does not exist or becomes part supplement and part novelty, like older technology often does."

Gilliam argues that while the digital media adapter (DMA) was introduced almost five years ago and intended to bridge the gap between the Internet/PC and the TV, no DMA manufacturer has been able to convince the mass market that DMAs are a must-have. Consequently, sales are nonexistent and Internet/PC content remains foreign to the central home entertainment zone – the living room.

Enter Apple with its first true living room platform, Apple TV. Given its success in new media platforms and services (iPod and iTunes), as well as its reputation for consumer-friendly yet cutting-edge technology, Apple is the one company capable of bridging this gap.

Gilliam continues: "Now that iTunes offers movies, the primary obstacle Apple must address is creating a value proposition and market message that will spur consumers to dip their toes into the PC-to-TV streaming video pool."

[Apple's Play for the Living Room – On the Future of Apple TV and the iTunes Movie Download Service](#) is TDG's most recent report on the battle for the digital living room. The report details new consumer research regarding consumer demand for an Apple-branded platform and service delivering movies to the living room TV. The research tests multiple platform and service pricing schemes and profiles those consumers most likely to purchase and use this offering. As well, the report features TDG's newly-constructed forecasts for Apple TV® unit sales and iTunes-related movie download revenue thru 2011.

The *Apple TV* report is but one of TDG's recent reports focused on the online movie download market and the emergence of alternative video distribution channels. In combination with [Online Movie Downloads: Analysis & Forecasts](#), companies will have a comprehensive yet detailed analysis of the future of the platforms and services key to the OMD and on-demand IP video markets.

About The Diffusion Group (TDG) -

TDG is a research and professional services firm helping clients deliver better products and services in the new media and digital home markets. Using a unique blend of consumer insights, executive-level consultants, and hands-on technical experts, we produce more than just research - we create Intelligence in Action®.

Media Contact:

Andy Tarczon

andy@thediffusiongroup.com

469.287.8060

Wendy Stockard

wendy@thediffusiongroup.com

469-287-8061

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