

Contributors

A VC's notes on CES

BY NAT GOLDHABER 01.10.07



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Sure, Bill Gates gave a CES keynote, but the buzz on the show floor was all about Steve Jobs.

Jobs' charisma creates a force field in which an audience believes it's witnessing innovation even if he's just showing an incredibly beautiful, elegantly functional "me-too" product. And the great irony is that even from a distance, even with a me-too product, Jobs and his iPhone were still more interesting than almost anything at CES. Apple does great user interfaces – and one of the things cells need badly is a decent user interface.

As for Microsoft's new operating system, Windows Vista is one large step for Microsoft, one small step for mankind.

Both Vista and Microsoft's Office Suite offer numerous improvements in appearance and functionality. Software developers will make money selling upgrades to Vista versions of their products. But from a users' perspective, the improvements are incremental. Nice, but hardly critical.

The most shocking thing at CES was seeing venture capitalists lining up for a chance to get Tasered. This was a demo of the [new personal Taser](#) – a consumer version of the stun guns cops use to knock out criminals, but toned down so that instead of leaving CES attendees incapacitated and writhing on the ground, they just lost coordination briefly, wobbling past the throng of people eager to be next. ([More here.](#))

The greatest excitement – and what impressed us the most – was the remarkably high quality of digital video now available on cell phones.

Both Nokia and LG Electronics [demo'd DVBH \(Digital Video Broadcasting – Handheld\)](#); LG was also showing the new LG VX9400 phones running QUALCOMM's MediaFLO. They plan a roll out with Verizon in Q1, broadcasting real-time digital video over TV spectrum. It looks great.

This points to two opposing trends: a continuing tension between putting as much functionality as possible into a single hand-held device (e.g. cell phones that are also GPS tracking devices, email readers, web browsers, instant message devices, music players, still frame cameras, and video cameras) vs. devices that are highly function-specific, like video cameras that are just... video cameras.

When we're seeing terrific Nokia cell phones that can capture high quality video, how can camera manufacturers compete? They are pushed to create cameras that aren't just good, but extraordinary, with capabilities way beyond what's available on cell phones – higher definition video, better quality audio, 5x zoom. They need to make cameras that aren't just good, but amazing.

It's as if MacDonald's started serving filet mignon to differentiate from Burger King, so now Morton's needs to serve filet mignon with flaming cherry sauce and green peppers from Madagascar to differentiate from MacDonald's.

The vibrant mischievousness of the market place, which drives companies to differentiate, simultaneously forces the rapid pace of innovation. And where there is innovation, there are profits to be made.

I ran into Vinod Khosla in the men's room and asked what he'd seen that was interesting. He said, "I don't come here in search of specific products. Instead, I come to feel the vibe of the marketplace." I couldn't agree more. The pace and the feel of change is what it's all about. That's why I come, too: to get a feel for what's going on. Am I looking for a company to invest in? Probably not. Rather, I'm looking to feel the evolution and discover where gaps are so we can make meaningful technical and financial investments.

That said, one company we liked was GreenPlug, which gave demos not on the show floor but in a hotel suite. GreenPlug is building a universal power adapter, a single brick that simultaneously powers and charges multiple rechargeable devices – cell phone, computer, iPod, electric toothbrush, etc. And it does so in a way that's significantly more energy efficient than the multiple bricks we currently carry along on business trips. That's the kind of practical innovation we like to see. It was the only example of green technology at the conference.

At a time when the venture community and the blogosphere seem to obsess on whether Web 2.0 is synonymous with Bubble 2.0, CES rolls along to show us the latest cool stuff that consumers will buy. This is a gizmo show, not a web show, so here, Web 2.0 is peripheral at best. Yes, Virginia, there is a world beyond Web 2.0.