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State of the Worldwide Digital Television Market

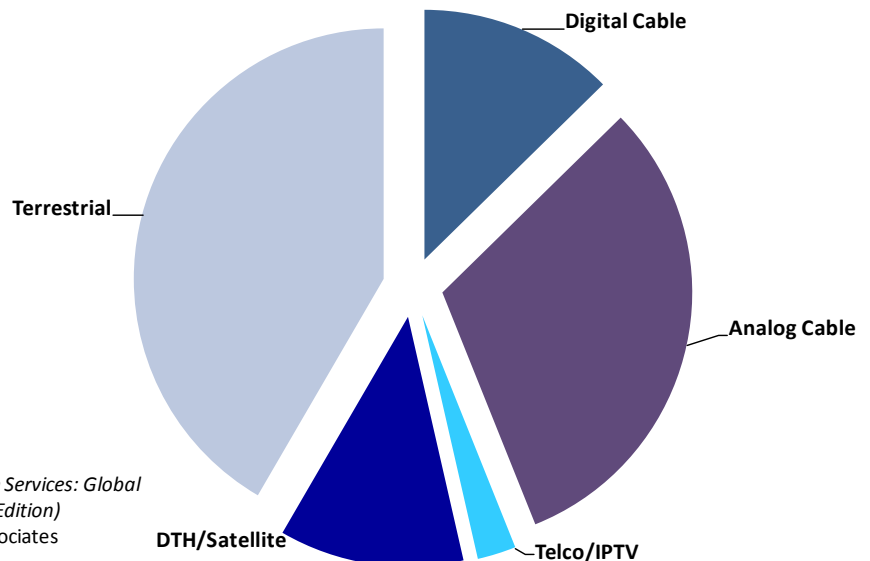
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The global market for television services continues to grow despite persistent economic challenges throughout the world. Most of this growth is occurring in digital technologies, with digital terrestrial and cable services supplanting their analog counterparts while IPTV providers fight to increase their piece of the television services pie.

Global Television Services Market Share

(EOY 2009 By Technology Type)



Source: *Television Services: Global Outlook (Second Edition)*
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Increased awareness of what is possible on the TV has driven consumer interest in these services, and competition has caused many providers around the globe to evaluate and introduce advanced TV features that leverage digital technologies. Companies in developed nations, including North America and Europe, are rolling out on-demand, interactive, and time/place-shifting offerings. Several providers in emerging markets, such as China and India, are working on digitalization of their services, and they are exploring the new features made possible by this technological shift.

Cable and DTH/satellite providers in particular are adding advanced TV features to attract consumers and stave off the threat posed by telecommunication providers. HD content and video-on-demand (VOD) services still create competitive advantages in many markets. IPTV currently has low global penetration but high promise as investments, deployments, and adoption increase. Terrestrial TV is an important competitor in many markets, strongly influencing adoption among consumers who are perfectly happy with the free-to-air (FTA) services they currently receive. Digital terrestrial (DTT) services are an important subset of terrestrial services, with many companies looking to offer new interactive services via enhanced or hybrid set-top boxes (STBs) designed for that purpose.

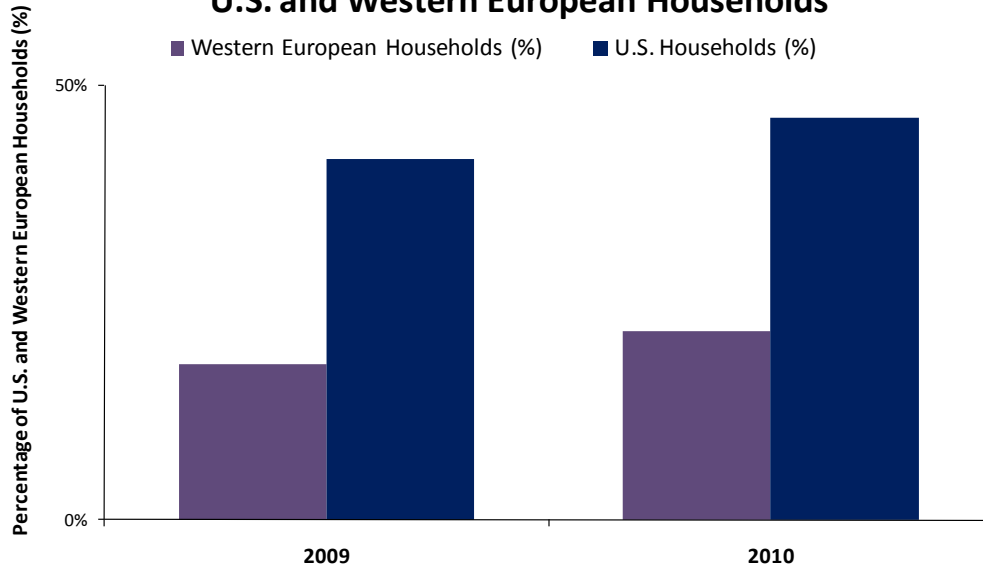
Growth of New Services

While efforts in the 1990s to bring the Web to the TV never caught on with consumers, the idea of a Web experience on the TV never quite died away, and recent growth in online video, social networking, and other online applications has refreshed interest. Today the number of solutions aimed at delivering Web-like experiences on the TV is staggering. Both traditional service providers and new competitors offer alternatives to consumers, including solutions implemented directly on a connected television and those provided via connected devices such as game consoles, cloud media set-top boxes, pay-TV set-top boxes, connected Blu-ray players, or media servers.

Many of these solutions seek to draw viewership and consumer dollars away from traditional television service providers. Though current usage by consumers is relatively low, these alternatives have the potential to induce subscriber churn or “cord cutting,” producing an abundance of gray hair and chewed fingernails among executives of the traditional service providers. The new capabilities afforded by the digitization of television allow providers to press their competitive advantage against such solutions; however, they must develop new business models to account for the subsequent changes in consumer demand.

Consumer interest is not limited to areas of high service penetration either. For example, penetration of digital television services is significantly lower in Western European households than for households in the United States, but the appetite for interactive video services is no less diminished. The demand among U.S. and Western European consumers for features such as VOD is nearly identical, with about 40% of respondents finding on-demand availability of premium content such as television shows to be highly appealing (*TV 2.0: The Consumer Perspective* and *GDL: Entertainment 2.0 in Europe*).

Penetration of Digital Cable and Telco/IPTV Services: U.S. and Western European Households



Source: *Digital Living Forecast Workbook*
© 2010 Parks Associates:

Over the past year in particular, several new services have emerged. The FIFA 2010 World Cup served as a global opportunity to drive TV Everywhere and 3D TV service offerings in front of a worldwide audience hungry for access to match content. That bellwether event boosted the expansion of 3D and multiscreen premium services, which are growing well beyond that month-long event and include a variety of sports, movies, and television programming.

Hybrid Set-top Boxes

Companies in markets as diverse as the U.K., France, Italy, South Korea, and Japan are working to blend terrestrial broadcast services with IP-based services and interactive features, either on an ad hoc basis or via a standards-based approach. Broadcasters such as the BBC have worked with CE companies on an individual basis to develop interactive features. Efforts such as Project Canvas and HbbTV promote standards for broadcasters and CE companies in order to deliver a broader range of services and content. Such standards will also simplify the application-development process for providers in that they will not have to account for an increasingly diverse and ever-expanding number of devices and platforms in the home when creating advanced applications. In addition, standards will provide a unified experience for consumers to identify, evaluate, and select content for viewing.

Although these goals are important, design of these standards has generated conflict among industry stakeholders. Many see the UI as an important point of differentiation. Consumer electronics manufacturers seek to elevate their own brands and present the consumer experience in a way that displays the value of their devices. Similarly, service providers want to present their offerings in a unique and differentiated way. Despite these differences, key industry players do recognize the value in industry standards, and several initiatives are moving forward.

Connected Consumer Electronics

In the absence of a mature environment for interactive television services, which is still the case for much of the world, players in broadband and pay-TV services, consumer electronics, and content creation and distribution are exploring new ways of delivering content and services to customers. There have already been a series of announcements and endeavors aimed at extending the reach of content beyond the traditional pay-TV set-top box.

OTT (over-the-top) set-top boxes are a common solution, with several models offering a browser for Web surfing. Manufacturers design these set-top boxes based on hybrid standards (HbbTV, Project Canvas, and others) and with IP connectivity in mind. The boxes combine linear programming with interactive features, including access to online video. For example, Boxee's product, the "Boxee Box," is made by D-Link and includes a remote control with an integrated QWERTY keyboard. However, some popular content sites, such as Hulu, have blocked Boxee (and competitors) in order to maintain control over access to their content.

Some service providers have moved to deploy their own OTT boxes, particularly in markets where terrestrial television and broadband services are prevalent. Telecom Italia has plans to deploy a hybrid set-top box (reported to be an Intel-based box supplied by Amino) that will receive broadcast DTT channels and online video. More of these devices will emerge throughout the world as initiatives in hybrid standards begin to bear fruit. Connected TVs and Blu-ray players also come with equipped with browsers or widget, so consumers can use these devices to view online video.

- Netflix has been streaming movies to LG Electronics TVs since 2009 and has added Samsung and other connected TV makers to its list of supported streaming platforms.
- France Telecom and LG Electronics announced they would provide access to an Orange portal for Internet-connected LG televisions in France. The content for the portal will include Orange Sport Info, 24/24 Actu (news service), live radio, TV programs, videos, and music.
- Samsung's connected TVs include the BBC iPlayer and a widget for streaming LOVEFiLM videos. Sony's 2010 BRAVIA connected TVs and Blu-ray players will also be able to stream LOVEFiLM content.
- Panasonic's connected television sets offer movies on-demand from Acetrax.

Where Are We Going?

For many markets throughout the world, including Latin America and Eastern Europe, innovation and available technology are not as significant gating factors as are content licensing and reliable infrastructure. Multiple solutions are available today that allow any service provider to offer many new interactive video services to its customers. However, if the provider does not have the bandwidth or the business model to offer more than basic services, interactive offerings become a moot point. The next few years will see growth in emerging markets where governments and service providers are investing in new infrastructure and an emerging middle class will have the discretionary income to make these new service offerings profitable.

About Parks Associates

Parks Associates is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes new media, digital entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, consumer electronics, and home control systems and security.

Each year, Parks Associates hosts executive thought leadership conferences CONNECTIONS™, with support from the Consumer Electronics Association (CEA®), and CONNECTIONS™ Europe. In addition, Parks Associates produces the online publication Industry Insights in conjunction with the CONNECTIONS™ Conference series.

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About the Author

Brett has spent over fifteen years in the industry as an executive manager and entrepreneur, building new businesses and new divisions for technology and business services firms. Previously, he founded and served as vice president of sales and marketing for Teligy, a software company specializing in embedded software for wired and wireless communications systems. Brett established new divisions for audio/multimedia software and networking for Intelligraphics. He has also been involved in the development and marketing of early-market products for 802.11 wireless networking, PC-based VoIP, and other technologies.

With a comprehensive understanding of all areas of marketing for technical product and service companies, including product development, strategic planning, and marketing communications, Brett knows the critical role that market research serves in the success of market-driven companies. He is able to work with Parks Associates' clients to arm them with the market information they need to succeed in their business.

Brett holds an MBA from the University of Texas at Austin with a concentration in high-tech marketing and a BA in physics from Baylor University.



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