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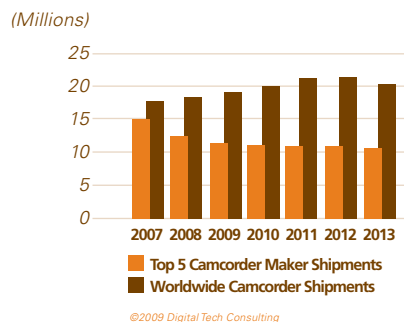
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## The Camcorder Revolution: Overthrow of High Fidelity for Convenience

In these recessionary times, consumers are looking for reliable yet inexpensive products to fulfill their digital needs. Enter the revolutionized camcorder. The new rave in the digital camcorder world is a far cry from traditional technically sophisticated and expensive models manufactured by camcorder giants like Sony and JVC. The new high-definition (HD) camcorders boast a price-tag of \$250 or less, are about the size of a deck of cards, and are extremely user friendly. These HD camcorders are a relatively new phenomena. All capture either 720p or 1080i video using H.264 compression to embed and/or removable flash memory. They run on a couple of AAs, have a tiny LCD view screen, a flip-out USB jack for simple PC/Mac connections and inexpensive plastic lenses.

### ESTIMATED 2009 CAMCORDER SHIPMENTS



The trending of the camcorder market toward these low priced products is largely fueled by the evolution of flash media. As price and size decrease, capacity of flash media is increasing making the format a very attractive option to include in low-end consumer electronics products like the new HD camcorders. Traditional camcorder manufacturers have taken an elitist stance on the low-tech newcomers, and dismissively refer to the products as "toys", while strongly attempting to underplay the impact of these products on the market. Yet despite traditional manufacturers' downplay of the simple products, consumers have flocked to them. DTC estimates that in 2008 about 18.5 million camcorder units shipped worldwide, 4% more than in 2007. However, this increase is due solely to shipments of sub-\$250 compact flash camcorders; shipments of models from traditional market leaders like Sony, Canon, JVC, Panasonic and Samsung have dropped almost 19% from about 14.8 million units in 2007 to a projected 12 million in 2008. And the situation doesn't figure to improve for the top makers as they drift increasingly toward higher-priced models; in 2009, DTC estimates worldwide shipments are expected to increase another 4%, but shipments from the top five will drop 6%.

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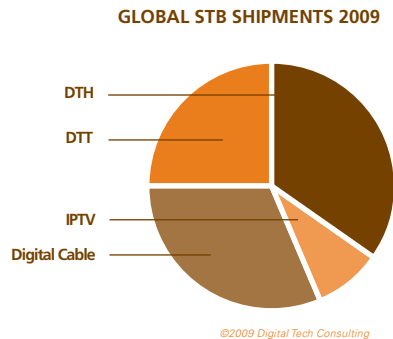
Falling market shares for traditional camcorder giants have led some of them to embrace the new devices. Even Sony announced 5 flash based camcorder models at CES 2009. However, only one of the models is HD and the price tag, although less expensive than Sony's top of the line models, is a far cry from the "toy" range at \$600.

Some manufacturers that offer sub-\$250 camcorders include Pure Digital, DXG, Flip and Creative Labs. Although current offerings of these inexpensive camcorders are limited, they will soon likely be joined by new models from additional manufacturers. Some of these manufacturers will be known, others unknown, but DTC doubts that traditional manufacturers will sacrifice the quality associated with their products to produce a camcorder in the \$250 or less price range.

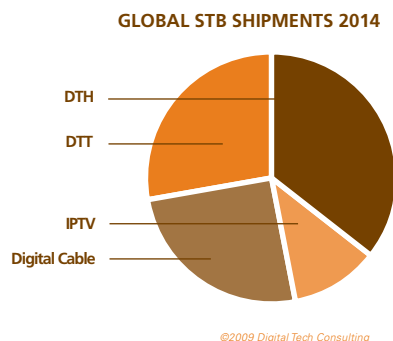
Consumer's choice now boils down to quality or affordability. And although they are well aware that camcorders from traditional manufacturers offer higher quality video, and more bells and whistles; camcorders that leave more money in a consumer's pocket are prevailing.

## Global STB Shipments Thrive Amid Recession

by Antonette Goroch, Senior Analyst



Despite less than stellar economic conditions globally, set-top box (STB) shipments were strong across platforms in 2008, reaching a new high of 177.5 million units according to DTC's most recent estimates. Several underlying factors contributed to these figures across regions, including pending analog shutoff dates for digital terrestrial, new digital launches across platforms and increased demand for High Definition (HD)/advanced feature STBs. DTC expects these factors will propel another spike in shipments for 2009, and though this will represent a peak, we expect shipments will continue to hold steady over the next five years, reaching 192 million units in 2014.



The pending analog shutoff date of February 2009 (now June 2009) in the U.S. was a major factor in the increase of Digital Terrestrial TV (DTT) shipments during 2008. DTC estimates nearly half of all DTT STB shipments in 2008 were from the U.S. Though we expect DTT STB shipments to drop in 2009 as the U.S. digital transition nears completion, other key markets not yet completely digital, such as China, Korea, and India will foster future growth.

New digital subscribers, and growth in newly launched systems, was also strong across platforms. In digital cable, growth in Chinese subscribership was up sharply, leading China to surpass the U.S. as the largest region by volume for the first time, accounting for about 44% of all digital cable STB shipments. In the IPTV sector, U.S. service providers AT&T and Verizon both saw strong growth during 2008, each surpassing the key milestone of 1 million subscribers. DTH satellite, meanwhile, saw key new launches in India, with operator subsidies driving shipments.

Demand for HD and advanced featured STBs was also high in mature markets such as the U.S., Western Europe, Japan and Korea. Competition is fierce in these markets, as saturation has slowed new subscriber growth. In this context, HD, and features such as DVRs, hybrid-access (either Web or dual platforms) and home networking have become differentiating features across platforms, initiating a replacement cycle that is really only just beginning.

It is important to note that all STBs are not created equal. A large portion of the spike seen in shipments during 2008, and expected in 2009, are from the most basic, low margin products available. Shipments in much of China, as well as the high volumes of digital-to-analog cable and terrestrial STBs in the U.S. are as low as \$30 a unit. The higher margin products, featuring AVC/H.264, hybrid platforms, hard drives and home networking, will ultimately generate more revenue, even if not more unit sales.

## When the DtA Converter Box Party is Over: What's Next?

The U.S. digital to analog (DtA) converter box business may only be a one-shot deal but it will end up pumping an estimated 37 million set-top devices into the market and generate about \$1.9 billion in revenue through the new shut off date in June. And despite early predictions that box retail prices would drop to \$40 in a matter of weeks, prices, for the most part, have held in the \$50-\$60 range. Profits are slim, but not non-existent.

With 4 quarters of estimates tabulated for 2008, DTC estimates that about 34 million DtA converter boxes were shipped into the North American market last year with an estimated 3 million more boxes expected to ship through June, 2009. In anticipation of a February rush, most retailers had already ordered large enough quantities of converter boxes to satisfy demand for most of the 1st quarter.

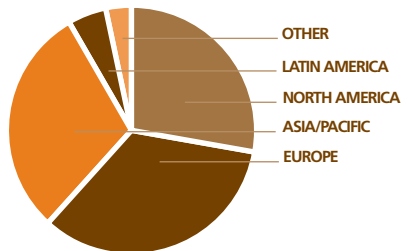
DTC estimates that there will continue to be some box sales through the rest of 2009 but the drop off will be precipitous. And with the government subsidy dead and gone, what's the next high-volume digital TV product? Or, is there one? In the traditional consumer electronics business in North America, a new high-volume seller isn't around the corner.

There are, however, possible exceptions. MSOs are now purchasing DtA converters to place in homes that still subscribe to analog TV services. Once cable operators switch their systems from hybrid analog/digital plants to all-digital plants, these converters are necessary for non digital cable subscribers to view the digital programming on their analog sets. This could pump millions of converters into the market over the next several years. In the emerging technology category, more than 60 U.S. terrestrial broadcasters are expected to begin transmitting mobile over-the-air signals based on the ATSC standard this summer. It's unlikely that there will be large numbers of mobile receivers sold in 2009, but 2010 and beyond could bring significant shipments.

It is other parts of the world – Africa, India, Eastern Europe and China – where the greatest volume of digital TV receivers will ship. DTT receivers will account for much of that volume. But DTT will begin to look very different in terms of region. As China continues to roll out DTT infrastructure, the Asia/Pacific slice will practically dwarf the other regions by 2013.

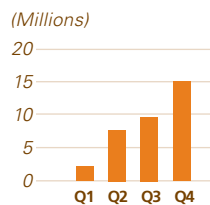
The worldwide recession won't necessarily greatly slow the transition from analog to digital TV, but it will probably change the types of digital devices and services that are purchased over the next few years. Although HD and other high-end features continue to grow, a larger percentage of receivers making it to market probably won't be much different than the U.S. DtA converter boxes in that they are not likely to include many high-end features or functions, and will come with a lower price tag. For more information, please contact Myra Moore at [myra@dtcreports.com](mailto:myra@dtcreports.com).

2009 ESTIMATED DTT RECEIVER SHIPMENTS BY REGION



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2008 CONVERTER BOX SHIPMENTS



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## DTV Roadmap

Since the inception of digital TV more than 10 years ago, DTC has researched and analyzed all DTV delivery platforms – satellite, cable, terrestrial, and IPTV. The third edition of our Digital TV Receivers: Worldwide History and Forecasts (2007-2013) Report is now available.

When making decisions about developing DTV receivers, creating new programming and services, or pinpointing regions for expansion, it's important to have a holistic snapshot of the DTV market. Not only does each platform come with different technical requirements, but each platform can represent distinct business models. The free-to-air (FTA) model, dominated primarily by digital terrestrial offerings,

represents the largest number of DTV receivers forecasted to ship in 2009. At an estimated 140 million units, digital terrestrial receivers will dominate over pay TV platforms. That domination is forecasted to continue throughout the forecast period.

Why do FTA receiver shipments dominate over all pay TV offerings? What parts of the world are driving those shipments? And which suppliers will benefit the most? To learn more about the contents of the 3rd edition of our Digital TV Receivers report, please go to [dtcreports.com/report\\_stb.aspx](http://dtcreports.com/report_stb.aspx).

## REPORT

### The Video Optical Disc, Devices and Media: Worldwide Shipments (2007-2013) (3rd Edition)

January 2009 US \$1,750\*

This data-intensive report provides detailed worldwide historical data and forecasts of Video Optical Disc devices and media. Both the high-definition (Blu-ray) and standard-definition formats for product categories including PC and peripherals, non-PC DVD devices, pre-recorded media, and video gaming systems are detailed in a comprehensive spreadsheet format.

*The report includes:*

- Shipment data from the years 2007-2013
- Geographical and vendor market share estimates for 2009
- A section of charts and graphs for ease of interpretation and presentation
- An executive summary that gives an overview of this exciting market.

*\*Includes one hour of analyst time*

*For more information, please visit*

*[http://dtcreports.com/report\\_optdisc.aspx](http://dtcreports.com/report_optdisc.aspx)*

*Digital Tech Consulting is a market research firm providing strategic information and analysis to help companies succeed in the consumer digital marketplace. To learn more about DTC and how our analysts might help your company, please contact us at the information below.*

#### PUBLISHER

Myra Moore,  
President  
Digital Tech Consulting

214.915.0930  
214.915.0931 fax  
dtcreports.com

#### CONTRIBUTING ANALYSTS

Antonette Goroch  
Maya Jasmin  
Myra Moore  
Stewart Wolpin

digital digest

a market research quarterly  
 Digital Tech Consulting

918 DRAGON STREET DALLAS, TEXAS 75207