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India Cable Digitization Lifts the Pay TV Market

If a rising tide lifts all boats, then India's cable digitization has been something akin to a tidal wave for set-top box (STB) makers, washing out tens of millions of analog devices in favor of updated technology. But the digitization wave has swept up more than cable STB players — it is transforming the entirety of India's telecommunications landscape.

The digitization process began in 2012 in three major cities — Delhi, Mumbai and Kolkata — bringing roughly 10 million homes into the digital era. It has since rolled on to subsequent states and cities, targeting the country's 85-million-plus analog cable homes. Given the magnitude of the process, it's remarkable that the Indian government claims digitization is still (as of this writing) on track to be completed by the end of 2014, as originally scheduled. The impact on India's already large cable STB market has been significant. DTC expects cable STBs in the Asia-Pacific region to reach over 42 million units in 2014, on the back of India's digitization push.

India's digitization has had ripple effects beyond cable STBs as well. It has led to gains in DTH subscribers as analog cable subscribers churn away before digitization. It has also spurred the major players in India's satellite TV market to step up their competitive game to poach analog cable customers suddenly looking at new options. Two marquee satellite services, DishTV and TataSky, announced moves to migrate their customers from older MPEG-2-based STBs to AVC models. The migration will enable both providers to pack in more HD channels and will result in a major effort to replace millions of legacy DTH STBs in a very short time-frame (TataSky has given itself under two years).

Other players, like the struggling Reliance, are exploring merger opportunities as India's broadcast market gets even more competitive.

Even the slow-moving, state-owned DD Freedish (formerly DD Direct Plus) has announced that it will add 60 channels to its lineup (a doubling of its existing programming slate) and launch those new channels in MPEG-4 AVC. These encrypted channels should also shake up the booming "grey market" for DD Freedish's free-to-air STBs. In total, DTC expects DTH STB shipments in the Asia-Pacific region should reach over 51 million units in 2014 thanks in large measure to the surging Indian market.

The composition of India's STB market may also be shifting from one heavily reliant on imports from foreign manufacturers to one serviced (though not dominated) by a growing domestic manufacturing base.

Continued on next page

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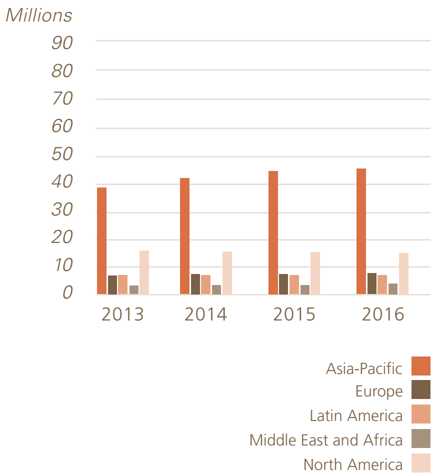
The Indian government's recent doubling of the import tariff on STBs should give domestic players a chance to capitalize on digitization's massive STB demand — while it lasts.

While a full accounting of India's digitization effort is premature, it's not too early to highlight some initial gains. First, it's helping the government drive additional tax revenue into its coffers by providing a more accurate accounting of the country's cable subscribers. According to an initial survey published in the Times of India, tax receipts have seen a two-to-threefold increase in areas that have undergone digitization. Indian consumers will not only gain greater access to content (including more HD channels), they're also expected to see greater broadband penetration, which will pave the way for additional competition from both IPTV providers and over-the-top services in the not-too-distant future.

When the tide recedes, the shoreline of India's pay TV market should be littered with better technology, more satisfied consumers and a more prosperous broadcast marketplace.

Estimated Shipments of Digital Cable STBs



Content Copyrights: Broadcasters' Friend or Foe?

It's been somewhat fashionable lately to forecast the end of intellectual property rights (IPR) as we know them. Patent enforcement practices have been popular targets in some circles and, when it comes to streaming media, copyright has also found itself in the cross hairs of some who profess that ownership stifles high-tech inventions.

The season on streaming content without permission from the copyright holders in the U.S. was halted – at least temporarily – by the U.S. Supreme Court this summer in the Aereo decision which affirmed that streaming network TV content (and charging for it) without the permission of the content owners is a violation of copyright. The ruling wasn't much of a surprise.

But what impact might it have on the state of the still-forming streaming video industry and access to rights to stream TV programs? It can be argued that an over-protective stance (and subsequent complicated patchwork of licensing terms) of some content owners has contributed to an environment that encourages elaborate "work-arounds" from companies who see an opportunity to make a business out of providing unfettered access (for a fee) to free OTA programming. The program owners, of course, have a different perspective.

On the other side of the equation are the consumers who have a voracious appetite for video programming and are becoming more accustomed to access on their terms. Availability of TV and cinema content from streaming services must seem capricious to the average consumer who doesn't know why he can't view certain episodes of one TV series and all of another on a streaming service for which he is paying a monthly fee. Content owners mostly have been taking baby steps toward full video streaming services. There are existing distributors to consider, release windows and regional borders to protect, quality-standards to uphold, and an established technical and business ecosystem that most incumbents want to survive. Why would one want to trade in the lucrative status quo for a step off a cliff into uncertainty?

Because not developing a way for viewers to reasonably view that content on multiple devices, schedules, and in multiple places is a formula for decay. Traditional TV broadcasters across all platforms that aren't implementing (or working on) a viable solution for getting their content onto mobile devices on the terms consumers are becoming accustomed to might as well start planning an exit strategy now.

Media Streamers: From Niche to Niche

By all logic, sales of dedicated video streaming devices should be slowing now that streaming capability is being built into almost every device in the living room. Why all the redundancy in streaming-enabled homes?

The early utopian vision of convergence suggested that we would live in a world where multiple functions occurred in a seamless and efficient manner in all kinds of devices with which we interacted – in a kind of intuitive-response device universe. Fast forward a few years and it is evident that the convergence of networks, hardware and software haven't resulted in such a perfect experience.

Case in point is the difficult-to-navigate interface for streaming content on TVs and Blu-ray players. Most are frustrating to navigate, rely on old and unsophisticated remote-control technology and can quickly ruin the experience of picking out a movie to watch on Netflix. It's been a long learning curve for consumer electronics makers to incorporate the development and software know how to create a satisfying experience. The CE industry operates on thin margins and mostly has relied on advanced displays to deliver the "wow" factor in new products.

Most Smart TV user interfaces have proven to be clunky, unattractive and poorly designed. Many appear to be inspired by computer wallpapers and icons from a decade ago. There are exceptions like Apple and Roku but these companies aren't cut from the traditional CE cloth and have an advantage over traditional TV makers in building the all-important interface. Although the user experience is of utmost importance, content still trumps every other aspect of video/TV service. It is the makers of dedicated media streaming devices that have built a foundation on content deals whereas many other devices have included streaming as an afterthought. Roku, for example, provides over 1,000 content channels through its device.

To cut down on redundancy, it seems obvious that Smart TV suppliers must incorporate more sophisticated interfaces for all media, as well as strong packages of content deals. Acquisitions that can fill in the software and development holes, such as Samsung's purchase of former media streaming developer Boxee, are essential for development advances that are mandatory in the current landscape. Another approach comes from Roku as it is now partnering with select TV makers to sell Smart TVs that include the Roku interface, as well as content channels.

In order for TV makers to fully participate in the new TV/video landscape, software and interface development will have to be just as important as advances in even more sophisticated display technology. Convergence for convergence sake is not all that desirable but once the device makers and the software developers offer better user experiences, there may be less need for dedicated streaming devices.