

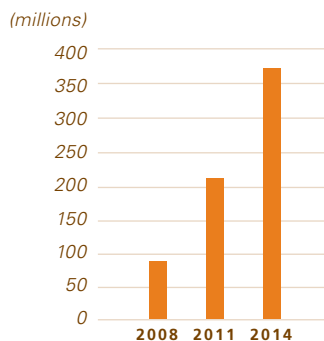


## In This Issue | December 2009

<i>Unicast Video Services Drive Fee Based Mobile Video Growth</i>	<i>page 1</i>
<i>3D HDTV: The Long Road to The Next Big Thing?</i>	<i>page 2</i>
<i>Convergence and the Business of Memorable Moments</i>	<i>page 3</i>

## Unicast Video Services Drive Fee Based Mobile Video Growth

Estimated Worldwide Mobile Video Subscribers\*



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\*Worldwide Mobile Video Subscribers includes unicast and broadcast subscriptions

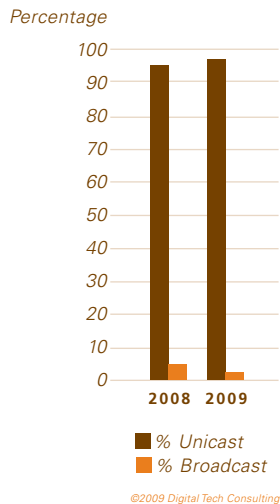
The use of fee based mobile video services is continuing to grow sharply during 2009, drawing increasing attention to this important new pipeline for video content. DTC's most recent analysis suggests worldwide fee-based video subscribers will reach more than 134 million by year end, up from just 99 million in 2008. This growth is forecast to continue steadily in virtually all world regions, reaching more than 370 million by 2014.

The vast majority of growth for fee based video services, more than 95% estimated in 2009, is in unicast/on-demand 3G TV, with several factors driving this trend. Fundamentally, a growing overall installed base of 3G subscribers has increased the scope of fee based video availability. 3G subscribers grew from 180 million in 2007 to 225 million in 2008. Equally significant, ever more compelling content and applications are becoming available, such as larger libraries of full length movies and "catch up" TV on demand.

Broadcast mobile TV, meanwhile, has failed to gain similar traction as a premium service platform. The greatest success for broadcast mobile TV has been in the context of free services, such as those in Japan and Korea. Fee based services in both Western Europe and the U.S. have primarily failed, however, due to a variety of factors, both regulatory and market based. Fundamentally, though, mainstream consumers have not found mere rebroadcast of broadcast TV stations a compelling premium value—particularly in the context of the more on-demand, two-way content/applications available from unicast services. While there has proven to be a market for news and event oriented, fee-based broadcast services, this is expected to be a niche market at best and won't sustain measurable investment by either operators or content providers.

An important lesson from the pattern of mobile video's recent growth is reflected in the changing context for content providers, hardware manufacturers and operators. The success of 3G and 4G two-way services, versus broadcast mobile TV, is indicative of this evolving *Continued on next page*

## Fee Based Mobile Video Service



environment, since it more easily adapts into a consumer driven, on-demand paradigm. As mobile services are increasingly bundled as part of larger TV/phone/Internet/mobile Internet packages, mobile video remains a distinct pipeline of its own, but also part of a larger on-demand content delivery context. Though the opportunities in mobile video are unquestionable, the real challenge is how to seize them amid the variety of technological, operational and marketing challenges involved in this integration.

## 3D HDTV: The Long Road to the Next Big Thing?

Some TV manufacturers say the “the next big thing” is whipping around the corner and it’s their 3D HDTV sets and playback devices.

It’s likely that 3D TV is the “next big thing” in the evolution of television technology. With digital high definition a natural (and long coming) improvement over analog and color, 3D is the natural next leap.

The need for the “next big thing” is clear. Consumer electronics makers need to have the next blockbuster product in the pipeline as HDTVs have reached respectable household penetration in most developed markets and Blu-ray Disc (BD) players have set new records in a race to the bottom of pricing and margins. Hollywood studio home entertainment divisions are searching for the next packaged media superstar but electronic distribution will likely reduce that dream to something less than superstar status.

On the other hand, supplier driven needs sometime dovetail nicely with consumer desires, but DTC doesn’t believe that’s the case here – not yet, anyway. Although 3D is a big differentiator from HDTV (unlike the incremental improvement of DVD to Blu-Ray), the technology and market for home consumption isn’t ready. The need for glasses, dependence on packaged media, lack of broadcast infrastructure, and new in-home equipment purchases (new high-dollar TV and packaged media play back device) stack up heavily against any bets that 3D TVs and Blu-ray players will be market forces in the near future.

Instead, 3D TV will likely take a quite natural path – incremental improvements to existing technology, early adopter sales in the first few years of commercial availability, and adoption for broadcast and narrow cast infrastructure. If 3D TV is going to be a big commercial success someday, content will have to be available across multiple delivery platforms – it’s not likely that 3D or any other sexy technology will keep the packaged media business in the style in which it has grown accustomed.

Instead, we’ll look for gradual growth that will come with technology improvements and the seeding of infrastructure designed to distribute 3D content over networks. DTC’s analysis of the amount of time it takes for a new-technology product (with the exception of DVD) to reach mass market status averages about 10 years. For a new media category that still needs technological improvements, it’s reasonable to think of 3D TV, in this context, as average.

## Convergence and the Business of Memorable Moments

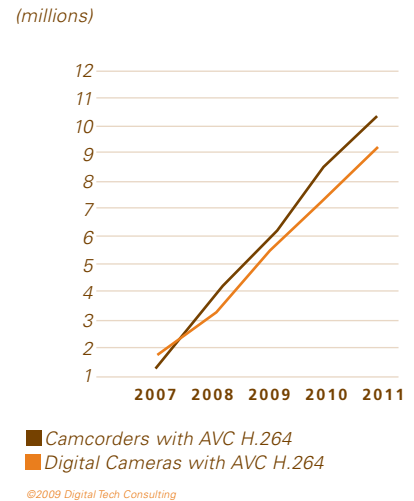
In a world where carrying multiple cumbersome devices is taboo, it seems only natural that memory-catching devices should capture moments whether they are still or in motion. And suppliers in the camera and camcorder world seem to agree. The emerging trend in memory capturing devices are digital still cameras (DSCs) that shoot video and digital video camcorders that take still pictures. While convergence is certainly not a new concept, technology is at a point where both devices offer quality options in both video and still pictures, making the distinction between them almost negligible to the consumer.

Even price points are becoming more synonymous. Both DSC and digital camcorder prices are declining, making the products more affordable for consumers. So what is a consumer to do when faced with the option of buying a digital still camera or digital video camcorder when both perform the same functions? And at what point do the products stop being considered separate and officially become a new merged product? The answer to the former question remains complicated; however DTC believes that the answer to the latter question is sooner rather than later.

Most major digital camera makers have begun adding AVC/H.264 HD video recording capabilities in their \$250 and up camera models. Camcorder manufacturers have made the same decision to include AVC/H.264 in their sub-\$250 SD camcorders, which also take high megapixel digital stills. Also, companies like Sony, Samsung, Sanyo and DXG have introduced H.264 SD-Based camcorders that take digital stills, usually 5 MP or more, for \$250 or less. Many of both types offer 3x-5x optical zoom lenses, 2.5-inch and larger LCD screens, USB and, sometimes, HDMI jacks.

The exact point at which the consumer electronics market will bid farewell to separate devices for still and moving picture capture and welcome the new officially merged product is unknown. But DTC expects that the time is near. With price differentials decreasing and quality technological offerings increasing, suppliers of DSCs and camcorders have to offer both video and still picture capturing to remain competitive. Regardless of when the products merge or what they are called when they do, DTC expects the business of memorable moments to remain robust long into the future.

**Estimated Shipments of Camcorders and Digital Cameras with AVC/H.264**



## MARKET INTELLIGENCE FOR IP OWNERS

Have you suspected that you may be leaving revenue on the table when evaluating how to use your intellectual property in the emerging-technologies markets? It's important to understand the market potential of your IP and once you've designed a licensing program, you want to make sure that you know who is using your IP and that they are accurately reporting sales. Such critical issues deserve tailored market-research expertise concentrated in quantifying technology use and potential revenue. DTC's more than 10 years of experience in helping companies manage their IP has resulted in the foundation of solid market-forecast models that account for both

products and services that use very specific and sometimes obscure technology. DTC's intellectual-property services are put to work in a number of varied situations. Our clients have employed our expertise: to forecast potential revenues for technology IP they own; conduct due diligence for IP acquisitions; identify companies using their technology; to apply our critical technology market and licensing knowledge to help in developing sound licensing terms. For more information about DTC's technology IP services and client case studies, please contact Myra Moore at 214-915-0930, or [myra@dtcreports.com](mailto:myra@dtcreports.com).

## TRACKING SERVICE

### D-t-A Converter Box Tracking Service Q1 08 - End of Coupon Program 11.09

DTC's converter box research provides vital data essential for understanding and measuring this unique product category. The service is made up of six reports that provide sales estimates and market share estimates for U.S. DtA boxes from the 1st quarter of 2008 through the end of the coupon program (November 2009).

Each report includes:

- Est. total U.S. DtA converter box shipments to the distribution channel for specified quarter(s)
- Est. total shipments to the distribution channel for top brands/suppliers
- Est. total shipments to the distribution channel for most brands by manufacturer
- Analysis notes highlighting converter-box sales trends
- Spreadsheet that includes cumulative estimates

*Please contact Myra Moore at 214-915-0930 or myra@dtcreports.com for more information or pricing.*

*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.*

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