## Moore Analysis

# GOOD OUTLOOK

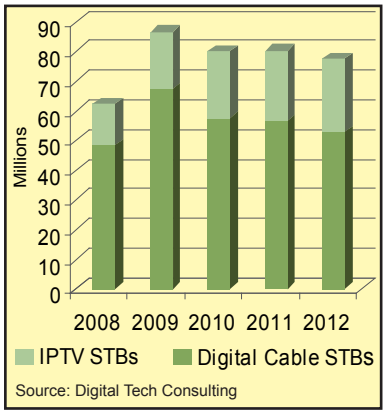
Worldwide digital terrestrial TV receiver set-top boxes aren't the only TV STB shipments holding up well during this deep recession as pointed out in the previous DVB-SCENE article (Edition No. 29 March 2009). IPTV and digital cable STBs are estimated to post more than 30 percent growth in 2009 propelled by new service launches mainly in Eastern Europe and China.

Now that most of the world's Tier-1 telcos have well established TV offerings (Verizon and AT&T have both surpassed the 1 million subscriber mark), Tier-2 and Tier-3 deployments are fuelling STB sales. Launches in Montenegro, Macedonia, Croatia, Lithuania, the UAE, and Morocco are adding IPTV services to new parts of the world. Hong Kong, France and Italy still house healthy IPTV services but those deployments are beginning to mature.

The digital cable STB makers have benefited greatly from the rapid uptake of digital cable services in China in 2007 and 2008, and from the recent moves in the United States to put small digital-to-analogue converters into subscribers' homes that still buy analogue TV services.

Chinese digital cable subscriptions grew substantially in 2008, propelled by the Olympics and a favourable regulatory environment for operators. According to the government, digital cable subscribers in China rose from 24 million in 2007 to 44.5 million in 2008. DTC anticipates continued subscription growth in 2009 that will help to boost year-over-year worldwide STB shipment growth to nearly 40 percent.

Not all of that growth will come from China, however. Comcast, for example, placed large orders for DTA converters. Many cable operators who still deliver analogue programming want to free up bandwidth by delivering only digital programming to the home. In order to accommodate their customers who don't want to purchase the digital service, cable operators will distribute these low-cost DTA converters that allow subscribers to view the programming on analogue TVs. Millions of the devices will likely ship into the market in the near future.




In the case of DTA converter sales, there are no corresponding new subscribers from which the cable operators can derive additional service revenue, at least not directly. Converting systems to all-digital, however, frees up bandwidth that operators can use to deliver more content, such as HD and VOD, which can generate new revenue. Box sales in China, however, do represent new cable customers. These digital cable systems mostly deliver bare-bones services and most of the STBs are basic and don't include extras such as hard disk drives. These customers don't deliver the high ARPU operators in more established digital cable markets are accustomed to, but, in this economy, getting new customers is a definite win.

**Digital Tech Consulting (DTC) is a market research firm that tracks and analyses the consumer digital video marketplace. More information on the company and its latest research on TV receivers, set-top boxes, and other digital video activity is available at www.dtcreports.com.**