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Analog to Digital Conversion to Fuel already growing DTV Receiver Sales

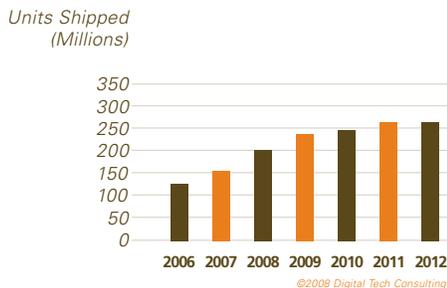
Although Digital Television (DTV) is no longer a luxury for upscale households buying high-end pay TV services, there is still plenty of steam in the DTV receiver engine as analog-to-digital transitions continue in select parts of the world. DTV transmissions are entrenched across every network-delivery platform – satellite, cable, Internet (IPTV), and terrestrial.

Digital Tech Consulting's (DTC) recently updated Digital Television Receivers report, cataloging historical data and forecasts for worldwide digital TV shipments, forecasts continued growth through 2012, driven by global deployments of both established and emerging platforms. For more detailed forecasts and analysis on the Digital Television Receiver market, please read more about DTC's report *Digital TV Receivers: Worldwide History and Forecasts (2006-2012)* at www.dtcreports.com.

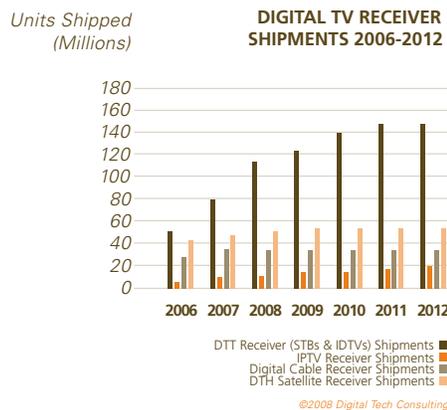
Although Digital Terrestrial Transmission (DTT) has been getting a lot of ink lately with the upcoming shut-off of broadcast analog TV in the U.S. in 2009, network-connected DTV receivers primarily connected to pay TV services will also see record growth across the board in 2008, with combined shipments reaching 109 million. With 58 million set-top box (STB) unit shipments Direct-to-Home (DTH) satellite remains the largest single platform, however, digital cable shipments are expected to experience faster growth due to large cable subscriber additions. Estimated shipments for IPTV STBs were strong in 2007 as well, and show continued strength during 2008 as well as throughout the forecast period.

Evident from the chart to the left, however, is the dominance of DTT receiver shipments, with nearly 119 million units expected to ship in 2008. The complexity of the overall transition to DTT is expected to create a series of waves of STB shipment volume over the next decade as various countries enter into and then complete their transitions. For example, while many European countries show declining shipments because their transitions are nearing completion (such as much of Germany and Scandinavia), digital-to-analog converter box manufacturing in preparation for the U.S. 2009 analog shut-off date is creating sharp peaks in overall DTT STB shipment estimates. For more detailed forecasts and analysis on the North American ATSC market, please read more about DTC's report *The End of Analog TV: The Opportunities and Inhibitors of the U.S. Digital TV Transition* at www.dtcreports.com.

ALL DIGITAL TV RECEIVER PLATFORM SHIPMENTS COMBINED GROWTH



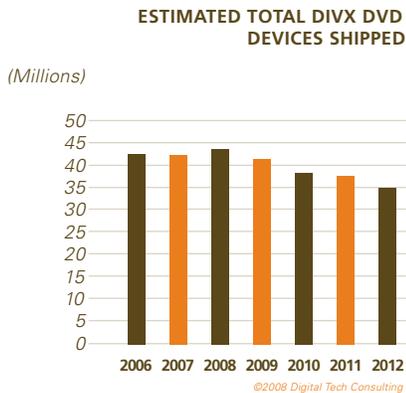
DIGITAL TV RECEIVER SHIPMENTS 2006-2012



DivX: Open Systems and the New Era of Digital Delivery

By Antonette Goroch

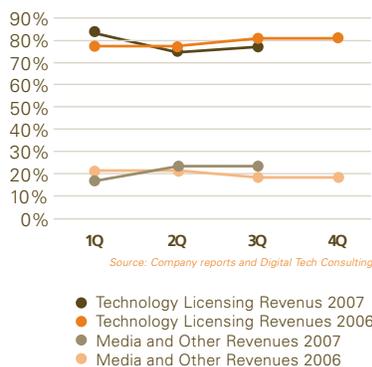
It's easy to say content is king. The more relevant issues of the moment are what is content and how is it delivered. These are the questions transforming the media landscape today and forcing companies of all sizes to redefine their models and strategies. Content is no longer an easily defined unit, neatly distributed through clear channels with orderly release windows. In the era of social networks, IPTV, YouTube and MP3s, digital content is viral, referential and fundamentally messy in its relationship between the "consumer" and the "creator".



But it's also easy to think that the future of digital content is completely unencumbered by device or distribution platform. Of course, it is not. Alternate distribution proponents will have to address the complex web of standards and industry practices that are yet to be negotiated on the way to this future. Even more importantly, though, this is the sweet spot where opportunity lies for innovation, as new ideas provide the building blocks to such a future.

DivX is one company attempting to tap into that sweet spot, and is the subject of a new research report by DTC. A look at the four-year old public technology and digital-media services company provides an interesting example of how one company has evolved and positioned itself to benefit from prevailing trends in digital media, rather than watch its core business become obsolete as the digital landscape changes. While DivX has found initial success through licensing its MPEG-4 Visual based codec for use in DVD players, its open ecosystem enables DivX to expand its licensing base to a new generation of connected, HD consumer electronic devices, even as the DVD format gives way to Blu-ray and network delivery.

DIVX PERCENT OF REVENUE BY CATEGORY



There are several digital media content trends that are key to understanding the logic of the overall DivX strategy. Key among them is a proliferation of high-quality digital content from diverse sources; decreasing costs for digital delivery; network and device interoperability; and content portability. Ultimately, these trends foreshadow a future in which digital media content is dynamic, flowing among devices and networks, rather than attached to either. DivX has positioned itself to facilitate this evolution, which is complex and incremental, by providing a layer of open-standards based interoperability to meet the changing demands of both users and content providers.

DivX's challenges also reflect challenges for the industry as a whole. While the open ecosystem approach has helped DivX flourish among users, it has been less attractive to mainstream content providers seeking more security from a closed platform. Since users have the ability to encode DivX files at will, then share them at will, the DivX format has become widely associated with online piracy. While DivX has not endorsed this kind of use, its format has provided a tool for the sharing of many copyrighted video works on the Internet, which has chilled mainstream content providers to working with the company. Instead, they have opted for licensing content to closed, DRM based systems, most notably Apple iTunes, leaving DivX essentially shut out of the commercial content essential to its long-term business success.

But as the market evolves, mainstream content providers are seeing some advantages to open systems in general, and warming to DivX more specifically. Though content providers want the security of a closed system, they don't want to be locked into one system--- i.e., Apple or Microsoft---as the gatekeeper to their products. DivX offers an alternative to this, offering both an open system and existing installed base. Sony's decision to allow its content to be distributed in the DivX format was a major milestone for the company. Though the agreement merely allows for the distribution---it relies on third-party retailers to actually make distribution deals, it is an important turning point for DivX, which has been shut out of mainstream content for so long.

Mainstream media companies haven't embraced the alternative in any significant way, but it's too early to declare that all non-traditional distribution for mainstream content will be controlled by Apple. There are compelling reasons for content providers to consider distribution in a non-proprietary ecosystem, but DivX and other companies wanting to compete with Apple will have to convince mainstream media companies that the easing of controls will provide a significant pay off at the end of the day.

Mobile Broadcast TV in the U.S.: Free or Pay?

U.S. broadcasters, the companies that sell them equipment, and mobile phone handset makers are in the early stages of shaping a mobile broadcast TV service similar to those in place in South Korea, Japan, and, to a lesser extent, Western European countries.

Although several elements are well known – technology basics, hardware suppliers and the standards-setting path – business models remain an unknown. Although most industry prognosticators assume that U.S. terrestrial broadcasters will likely launch mobile TV broadcasts with their free-to-air programming line ups, it's not clear if this will be a long-term model or merely a relatively easy way to test the new technology.

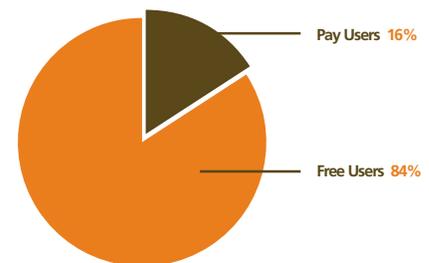
The free-to-air model is flourishing in other parts of the world – namely South Korea and Japan where the terrestrial broadcasters are pushing signals to millions of users viewing ad-supported programming. There are also fee-based services, such as the Verizon Vcast and Telecom Italia's DVB-H service, but their subscription rates have been lackluster.

DTC estimates that the number of users who have access to a free broadcast service is significantly greater than those who are subscribing to a broadcast mobile TV service. In 2007, DTC estimates that nearly 85% of all broadcast mobile TV users worldwide had access to free, ad-supported services, while about 16% accessed pay services.

Tens of millions of handsets and other devices with One-Seg (Japan) and T-DMB (South Korea) receivers ship into the marketplace annually. This cannot, however, be confused with the number of consumers viewing the broadcasts. Many of the handsets are distributed by, and receive phone transmissions from, mobile phone service providers. The TV receiver is an added feature, but not necessarily used by all device owners. Reports from industry players in Japan and Korea, however, report that the service is quite popular.

U.S. broadcasters, to date unable to realize a return on their digital-TV-transition investments, are understandably eager to identify an additional revenue stream from mobile TV broadcasts. It is inevitable that some will charge subscription fees, but DTC believes that broadcasters must tread carefully in adopting a subscription model for U.S. consumers. It is not at all clear that consumers are willing to add another media subscription to their monthly budgets. DTC believes that consumers will carefully weigh the value provided by a pay mobile TV service against the value that other media services deliver. As the roster of monthly media-services fees grows, it's unlikely that mobile TV subscriptions will rise in priority above high-speed Internet access and pay and high-definition TV services.

MOBILE TV USERS WORLDWIDE



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Missing Revenue?

Have you ever wondered about missed revenue opportunities or pondered how lucratively your intellectual property would fare? Ever struggled with properly evaluating and forecasting the value of your company's IP in an emerging-technology marketplace? 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.

NEW RESEARCH!

Digital TV Receivers: Worldwide History and Forecasts (2006-2012)

March 2008 US \$1,750 (Price includes one hour of analyst time)

This data-intensive report provides detailed worldwide forecasts of digital TV receivers across all delivery platforms. Digital Terrestrial (DTT), Digital Cable, DTH Satellite and Video Telco receivers are detailed in a comprehensive spreadsheet format that delivers a detailed matrix of all digital TV receivers, including set-top boxes, integrated DTV sets and consumer-electronics devices with DTV receivers. This report includes shipment estimates from the years 2006-2012, along with geographical and vendor market share estimates for 2008. Also included is a section of charts and graphs for ease of interpretation and presentation.

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
Sean Wargo

digital digest

a market research quarterly
 Digital Tech Consulting

918 DRAGON STREET DALLAS, TEXAS 75207