TV 2010

Markets & Trends | Facts & Figures

IDATE
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Next Generation of TV – What will it look like?

The worldwide television market in 2009 was 268.9 billion EUR, declining 1.2% compared to 2008. In effect, the industry did not escape the consequences of the global economic crisis; the crisis particularly affected television advertising revenue. Nevertheless, IDATE predicts that the market will exceed its 2008 level in 2010 with a total market value of 281.9 billion EUR.

In parallel of the restructuration of the television market and appearance of players coming from formerly separate branches, innovations - in type of broadcast delivery and in services tailored to new technologies - are enhancing the television market. In searching business models to monetise currently free services, as e.g. social networks, broadcast players and new entrants are fighting over market share. In the meantime the broadcast market is evolving from mass market to atomized market. The key questions for the audiovisual industry are:

- TV channels in crisis: an unprecedented decline of advertising revenue?
- Is Pay-TV driving market growth?
- Which are the upcoming innovations in television?
- Is FTTx the answer to IPTV Broadcast Delivering?
- How to monetise free services?
- What are the new technologies for TV & Cinema?
- Is there a shift towards integrated pan-European conglomerates in the next ten years?

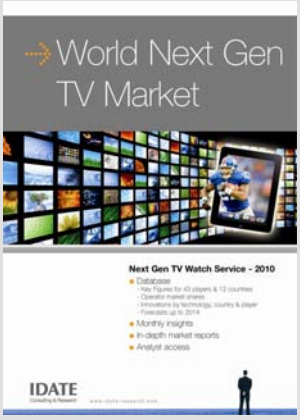
In this new edition of our Television Yearbook, you will find valuable data on the central components of the Broadcast world, along with analyses from IDATE's experts and a comprehensive round-up of the highlights of the year gone by:

- World Television Markets
- Pay TV
- Next Gen TV
- IPTV over FTTx
- Internet Video
- Which network to deliver HDTV?
- Video 3D – TV & Cinema
- Television 2020

Next Gen TV Watch Service

These are just a few of the conclusions drawn from the ongoing monitoring of the globe's media markets by IDATE's Next Gen TV Watch Service:

- **Database**: a unique continually updated media market database, providing market data, detailed information about new services and innovation, by country, player & technology, along with forecasts up to 2014.
- **Insights**: Monthly views on key issues
- **Market Reports**: Quarterly a profound analysis about main topics
- **Analyst Access**: consulting hours and analyst briefs



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1. World television markets

1.1. Change in television revenue

IDATE estimates that the worldwide television market in 2009 was 268.9 billion EUR, declining 1.2% compared to 2008. In effect, the industry did not escape the consequences of the global economic crisis; the crisis particularly affected television advertising revenue. Nevertheless, IDATE predicts that the market will exceed its 2008 level in 2010.

The United States remains the largest television market in the world with turnover of more than 100 billion EUR in 2009, declining 2% in a year. The importance of the North American region in the worldwide market is trending downward, going from 39% in 2006 to 38.7% in 2009; it should continue to lose a few tenths of percent in the years to come.

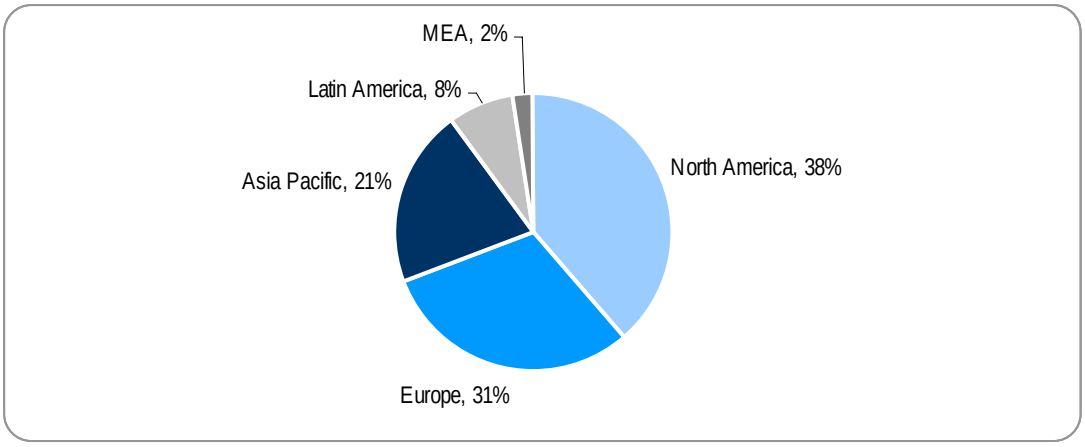
The second largest regional market, Europe had a turnover of 82 billion EUR in 2009, a decrease of 2.4% compared to 2008. The importance of the European market in the worldwide market also showed slow erosion, going from 31.7% in 2006 to 30.5% in 2009. The United Kingdom, Germany and France attracted the most market growth and between them account for 44% of the region's revenues.

Asia/Pacific recorded growth in its TV market on the order of 0.3%. Its market share grew by 0.3 points and regained its 2007 level, at 20.8%. The heavyweights in the region, Japan, India and China experienced varied results. As a mature market, Japan showed a decrease of more than 5% while the Chinese and Indian emerging markets grew 6.2% and 9.5% respectively.

Latin America displayed the greatest growth in its TV market, with an increase of nearly 5%. Its market share in the worldwide market is still small (7.9%), but it is growing consistently (6% in 2006). Brazil is the largest market in Latin American TV and alone makes up more than 45% of the market.

The smallest regional market, Africa/Middle East declined by more than 6%. Its market share has stagnated at 2.1%.

Figure 1: Distribution of worldwide TV revenue in 2009[e]



[e] estimates

Source: IDATE, according to World Television Markets January 2010

Table 1: Change in worldwide TV revenue by region, 2006-2013

(billion EUR)

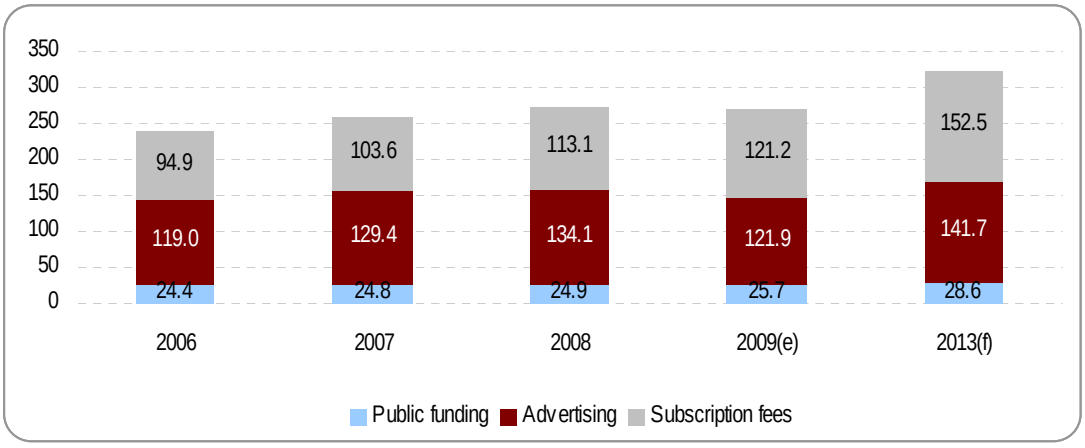
	2006	2007	2008	e2009	f2013
North America	92.9	101.1	106.1	104.1	120.4
USA	89.3	97.4	102.2	100.2	115.9
Europe	75.5	80.8	84.1	82.0	97.5
United Kingdom	12.3	12.9	13.0	12.8	14.4
Germany	12.6	12.7	12.7	12.5	14.1
France	9.4	10.2	10.7	10.9	12.8
Asia-Pacific	51.2	53.5	55.8	56.0	68.0
Japan	25.3	25.5	25.2	23.9	26.5
China	6.9	7.7	8.7	9.2	11.3
India	3.6	4.0	4.7	5.2	6.9
Latin America	14.3	16.7	20.2	21.1	28.2
Brazil	6.1	7.0	8.8	9.6	14.1
MEA	4.4	5.6	6.0	5.7	8.8
Total	238.3	257.9	272.1	268.9	322.9

[e] estimates, [f] forecasts

Source: IDATE, according to World Television Markets January 2010

Figure 2: Change in worldwide TV revenue by type of funding, 2006-2013

(billion EUR)



[e] estimates, [f] forecasts

Source: IDATE, according to World Television Markets January 2010

The worldwide television market was, in 2009, primarily affected by the decline in advertising revenue of 9.2%, which could not be compensated for by paid television or public funding; these two sources of revenue increased 7.2% and 3.5% respectively.

Up until 2008, advertising was by far the primary means of funding for the industry, generating about 50% of the sector's revenue, compared to 40% for paid television and 10% for public funding. In 2009, the weight of advertising and subscriptions each accounted for about 45% of the sector's revenue. By 2010, revenue from paid television should exceed overall advertising revenue worldwide, reaching a ratio of approximately 47%/44% by 2013.

1.2. Advertising revenue by media

Table 2: Change in worldwide TV advertising revenue by media, 2006-2013

(billion EUR)

	2006	2007	2008	e2009	f2013
TV advertising	119.0	129.4	134.1	121.9	141.7
Radio advertising	25.2	26.2	25.1	21.7	22.6
Press advertising	127.4	130.5	124.2	106.8	110.2
Internet advertising	22.9	30.1	35.1	38.3	68.2
TV advertising/total advertising	40.4%	40.9%	42.1%	42.2%	41.4%
Total	294.5	316.2	318.5	288.7	342.7

[e] estimates, [f] forecasts

Source: IDATE according to Zenith Optimedia January 2010

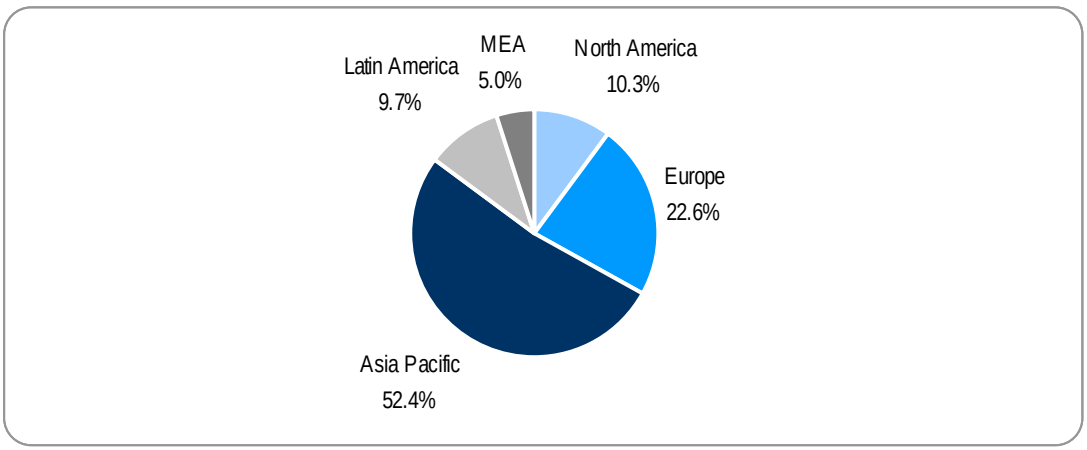
As a result of the global economic crisis, advertising investment for all media combined declined by 9.4% in 2009. Television, the primary media invested in, showed a decline in advertising revenue of 9.1%. Despite this, the importance of television in the advertising market (all media combined) remained stable at 42.2%.

Newspapers and radio recorded the deepest declines in advertising investment on a worldwide basis, with declines of 14.1% and 13.6% respectively. During the period of 2006-2009, the importance of newspapers in the worldwide advertising market went from 43.3% to 37% while that of radio went from 8.6% to 7.5%.

In contrast, the Internet continued to attract increasing amounts of advertising investment, with an increase in spending greater than 9% for a market share in the worldwide advertising market of more than 13% compared to 11% in 2008.

1.3. TV reception mode

Figure 3: Distribution of TV households worldwide by region in 2009[e]



[e] estimates

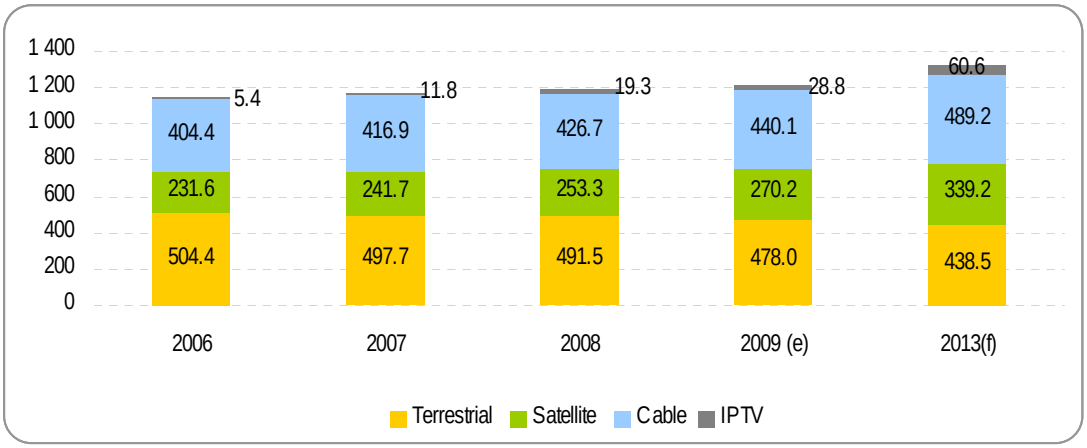
Source: IDATE, according to World Television Markets January 2010

In 2009, the worldwide television market included 1,217.2 million households with at least one television, an annual increase of 1%.

Asia/Pacific remains by far the region with the largest number of TV households. With 637.3 million equipped households, of which 63% are located in China, the region constituted more than 52% of all TV households in 2009. It was followed by Europe (22.6% of TV households), North American (10.3%), Latin America (9.7%) and MEA (5%).

Table 3: Change in worldwide TV reception modes, 2006-2013

(millions of TV households)



[e] estimates, [f] forecasts

Source: IDATE, according to World Television Markets January 2010

Historically, terrestrial television has been the most widely used reception mode around the world. In 2009, 478 million household worldwide had access, on their primary TV, to television from the terrestrial network, or more than 39% of all TV households. Nevertheless, this reception mode is in the process of chronic decline, in both absolute value as well as relative value. Actually, the terrestrial network lost 5.2% of TV households between 2006 and 2009, while its relative share went from 44% in 2006 to 39.3% in 2009. Terrestrial television could be dethroned by cable by 2011. Note, however, that terrestrial television currently remains the preferred access mode on secondary household television sets.

Cable is the second place television reception mode worldwide with more than 440 million TV households, an increase of 3.3%, resulting in market share of more than 36% in 2009,. In mature TV markets, cable has achieved high penetration rates but is nearly at saturation. In Europe in 2009, cable included 31% of TV households but only grew 0.9% this year. In North America, cable is still by far the primary TV reception mode (55.5% of connected households) but it has already started a phase of decline, by 1.4% compared to 2008.

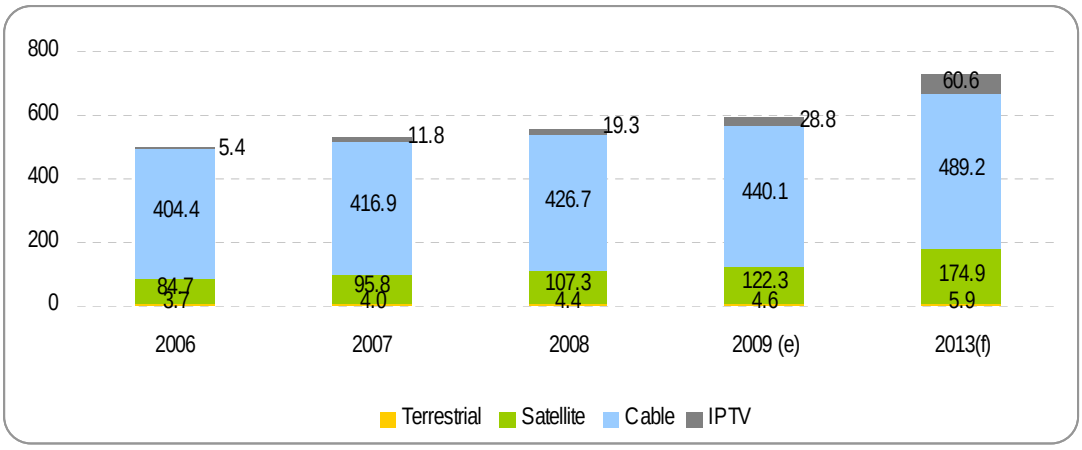
The third place television reception mode worldwide, satellite was the solution selected in 2008 by 22.2% of TV households. Unlike cable, expansion of satellite is not endangered by saturation, and actually has helped launch new bouquets in some regions (Poland, Russia, Nigeria). In addition, the expansion of prepaid digital offers also resulted in growth from households that have access to satellite as primary TV reception mode.

In 2009, IPTV had only been adopted as a primary television reception mode by 2.4% of TV households worldwide. However, this reception mode logically experienced the highest growth, with an annual increase of 48% and a five-fold increase between 2006 and 2009. Even in 2009, the strongest penetration of IPTV was in Europe (4.7%), followed by North America (4.3%), which is expected to become the primary market worldwide for IPTV in 2010. As for penetration rate, France is the leading national market worldwide with a penetration rate of 14.4% for 2009.

1.4. Subscription television market

Table 4: Households subscribing to a TV offer by type of reception worldwide, 2006-2013

(millions of households)



[e] estimates, [f] forecasts

Source: IDATE, according to World Television Markets January 2010

In 2009, the worldwide market for paid television included 596 million subscriber households, an annual increase of 6.8%. With more than 440 million households, cable accounted for most of the subscriptions. Nevertheless, its importance in the Pay TV market is trending downward. Actually, cable represented more than 81.2% of subscribers in 2006 compared to 74% in 2009.

In contrast, satellite has increased its relative share as this mode of reception went from 17% of all subscriptions in 2006 to 20.5% in 2009. During the same period, IPTV gained 23.5 million households and its relative share grew from 3.7 point to 4.8%.

Finally, terrestrial television grew from 3.7 million subscriber households in 2006 to 4.6 million in 2009, or less than 1% of all subscriptions. The growth in absolute value for paid terrestrial television can be explained by the expansion of DTT offers in Europe, such as in the United Kingdom, France and Italy and even in Scandinavia.

Table 5: Households subscribed to a TV offer by region, 2006-2013

(millions of TV households)

	2006	2007	2008	e2009	f2013
North America	105.3	107.4	108.6	111.4	117.9
USA	95.2	96.9	97.9	100.5	106.2
Europe	120.3	129.6	139.2	150.8	177.3
Germany	25.5	24.5	24.3	24.7	27.5
United Kingdom	11.6	12.2	12.7	13.1	14.6
France	12.6	13.2	13.9	14.9	16.3
Asia-Pacific	244.2	259.8	274.5	293.9	380.6
Japan	24.4	25.9	27.1	28.0	31.9
China	140.6	151.8	162.8	173.1	206.3
India	72.4	81.8	94.3	105.3	136.0
Latin America	21.8	24.5	27.2	30.3	40.3
Brazil	4.6	5.3	6.3	7.7	12.2
MEA	6.4	7.2	8.1	9.3	14.5
Total	498.1	528.5	557.7	595.7	730.7

[e] estimates, [f] forecasts

Source: IDATE, according to World Television Markets January 2010

In 2009, 294 million households (or more than 49% of TV households) subscribed to a paid television offer worldwide were located in Asia/Pacific. Europe was the second largest region accounting for the largest number of subscriber households (25.3%) followed by North America (18.7%), Latin America (5.1%) and the MEA region (1.6%).

During the period of 2006-2009. the MEA and Latin America recorded the strongest growth, with an increase of 44.4% and 38.7% of subscriber households respectively. In the more mature markets of Europe and North America, subscriber households grew at an average annual growth rate of 7.8% and 1.9% respectively.

In Asia/Pacific, subscriber households increased by more than 20% between 2006 and 2009.

1.5. Digital television

Table 6: Worldwide digital TV households, by region, 2006-2013

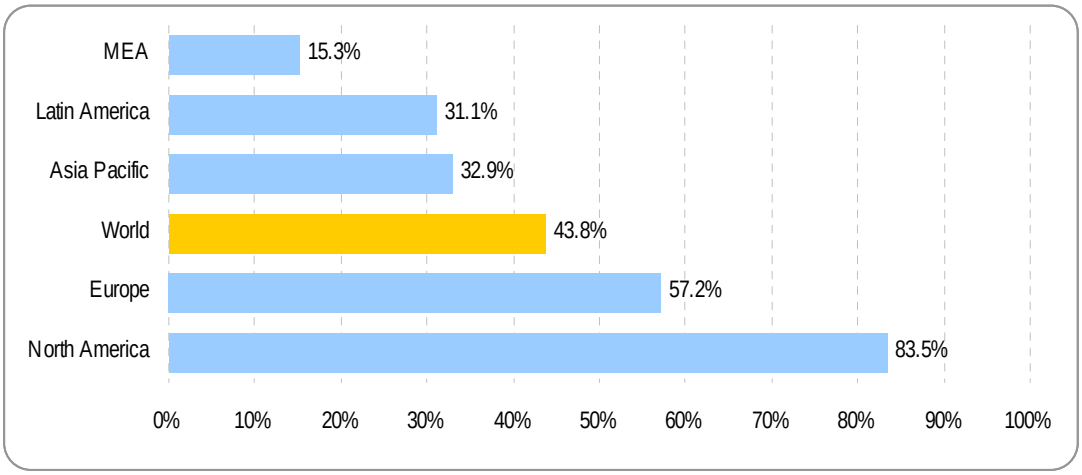
(millions of TV households)

	2006	2007	2008	e2009	f2013
North America	73.2	84.1	96.2	105.0	119.4
USA	68.4	78.3	89.6	97.4	107.5
Europe	83.5	109.1	131.7	157.5	224.8
Germany	8.9	12.1	13.9	16.4	28.1
United Kingdom	19.8	21.8	22.7	23.6	26.2
France	13.0	15.8	18.4	21.4	24.7
Asia-Pacific	103.9	134.3	168.5	209.5	398.7
Japan	24.0	28.2	31.2	34.3	45.4
China	13.4	32.5	55.6	97.9	242.7
India	6.8	11.4	20.8	29.4	70.3
Latin America	21.7	26.0	30.4	36.8	63.5
Brazil	13.2	14.9	17.0	20.0	34.2
MEA	20.1	21.4	23.0	24.7	33.0
Total	302.4	374.9	449.8	533.4	839.4

[e] estimates, [f] forecasts

Source: IDATE, according to World Television Markets January 2010

Figure 4: Penetration of digital television worldwide, by region, in 2009[e]



[e] estimates

Source: IDATE, according to World Television Markets January 2010

The number of digital TV households increased, in 2009, to 533.4 million, an annual increase of 18.6%. In all, nearly 44% of all TV households on the planet received digital quality television, compared to 43.5% in 2006.

North America, where terrestrial analogue broadcasting ended in 2009, is the leading region for digital TV with 83.5% of TV households. Europe is the second largest region in terms of digital TV penetration with a rate of 57.2%, and the United Kingdom has the highest penetration rate in the world (91.4%).

On a global level, the TV household digitization rate has increased to 43.8%; Asia/Pacific (32.9%), Latin America (31.1%) and MEA (15.3%) remain below this level.

The digitization of TV households is growing based on several factors:

- the end of analogue signal broadcasting in some countries such as the United States, Denmark, and even Norway;
- the increase in terrestrial digital network coverage rates in various national regions;
- the success of multiplay offers provided by television over ADSL, essentially in digital quality;
- the launch of new satellite bouquets and new prepaid offers, both allowing reception of digital programmes.

Finally, the rate of satellite's digitization in 2009 reached 94% compared to 38% for cable and 18% for terrestrial. The networks' digitization is an essential element in the cable operators' strategy, especially in markets where cable penetration is nearing saturation. As a result, in Japan, the price of an analogue quality cable subscription could prove to be higher than a digital subscription with an expanded list of channels. The objective is to motivate subscribers to migrate to digital service, opening the way to other value added services, such as HD reception or digital hard drives.

2. Pay TV - The premium television market in Europe 2008-2013

Principal findings

- Despite the crisis that is currently sweeping the entire television industry, the pay-TV segment is enjoying a **relatively stable position**.
- Television's global sales figures are expected to fall 1.3% between 2008 and 2009, whereas **revenue generated by pay-TV services is expected to grow 4.7%** over the period.
- The further **digitization of cable networks, the launch of pay-TV offerings on digital terrestrial networks** that are still in the deployment stage, and the wide variety of TV-over-IP offerings largely explain the good health of the pay market.
- However, **competition from the Internet** –which opens up access to a broad array of professional and amateur content– and rapidly-changing consumption patterns such as mobile or time-shifted viewing pose a real threat to traditional players in the pay-TV segment.
- These television broadcasters, commercial and/or technical operators are now competing in a **race to differentiate their offerings and to create a new value proposition**. The goal is to make their services more attractive in an effort to curb the loss of subscribers that some are already facing.

Table 7 : Breakdown of households by TV access mode, worldwide

(million TV HH)

	2008	2009	2010	2011	2012	2013	CAGR 08-13
Total TV households	1 113.533	1 134.141	1 154.717	1 176.731	1 198.875	1 206.892	1.7%
Digital free-to-air terrestrial HH	64.904	81.705	90.601	102.158	110.771	121.617	17.5%
Digital pay-TV terrestrial HH	3.366	4.007	4.524	4.772	5.004	5.304	11.5%
Digital free-to-air satellite HH	34.860	42.236	47.424	49.573	54.314	56.494	12.4%
Digital pay-TV satellite HH	94.836	102.213	109.340	115.999	122.629	127.901	7.0%
Analog cable HH	275.317	267.291	259.414	248.973	239.628	230.776	-3.2%
Digital cable HH	142.976	158.884	175.935	194.714	213.000	232.246	12.5%
IPTV HH	19.930	25.865	33.322	35.867	37.858	55.976	36.2%

Source: IDATE, according to Pay TV October 2009

2.1. Pay TV: a key segment of the television industry

With sales of **110 billion EUR** in 2008, the pay-TV market accounted for 41.7% of the total TV industry worldwide.

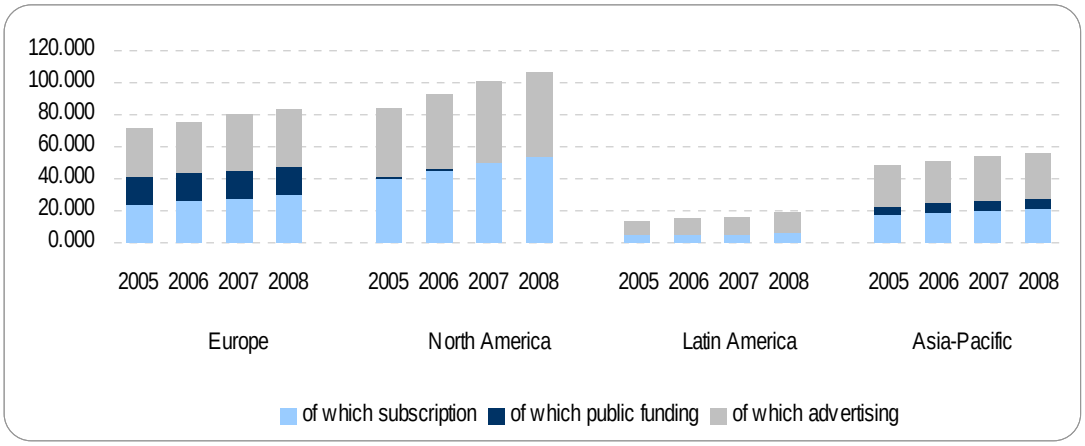
Pay TV is present in 540 million households around the world, putting it on an almost equal footing with free-to-air TV (public or commercial): 48% of TV households pay to watch enhanced TV.

The sector is even seeing sustained growth (though the level varies with each geographic region) both in terms of subscribers (+4% from 2008 to 2009) and revenue (+4.7% over the same period).

With 23% of TV households and 25% of pay-TV households, Europe is the second largest market behind Asia-Pacific and ahead of North America. Europe is also the second in value at 83 billion EUR (30 billion EUR comes from pay TV), behind North America and ahead of Asia-Pacific.

Figure 5: Change in TV funding sources

(billion EUR)



Source: IDATE, according to World Television Markets, 2008 edition

2.2. Networks that play very distinct roles

In terms of networks, cable is by far the leading mode of access to pay TV (close to 420 million households worldwide receive TV over analog or digital cable). However, this number can be misleading, since certain households actually only receive a slightly improved service over cable (compared to the free-to-air analog offering) in exchange for a small subscription fee, whereas others pay a much higher fee to enjoy an extensive lineup of channels and to access a host of add-on services such as catch-up TV and VOD. The shift to digital cable that is still in progress in most countries does help increase cable operators' TV ARPU. Not only are digital television services often sold at a higher price than analog offerings, but digital subscribers also have access to additional services and products such as HD channels, VOD and HD PVR boxes, which help drive up revenue-per-user.

At 95 million TV households, satellite is second in the pay-TV market, behind cable. Satellite's pay-TV offering is almost entirely digital and is positioned as a premium service in the market. Most premium channels and popular theme channels are broadcast directly by satellite package providers.

IPTV holds strong potential to expand across all regions, in contrast to cable, which is struggling to draw more subscribers, and satellite, which still has some room for growth (especially in emerging markets) but is nonetheless past its most important development period.. Indeed, IPTV and DTT are expected to garner the better part of the growth figures for the pay-TV segment over the next few years, in both number of subscribers and in value. At present, however, these two networks currently only hold a tiny share of the market. Pay DTT represented 4.6 million TV households at the end of 2008 (all in Europe), while IPTV had close to 20 million households at that time (a portion received "free" TV over IP, that is, as part of a broadband Internet subscription).

Table 8: Breakdown of TV households between free-to-air and pay TV, 2008-2013

(million TV households)

	2008	2009	2010	2011	2012	2013	CAGR 08-13
Europe – Total TV HH	254.534	255.992	257.185	258.427	259.724	260.900	0.5%
Free-to-air households	121.226	114.817	109.006	105.602	102.990	101.657	-3.2%
Pay-TV households	133.308	141.175	148.179	152.825	156.734	159.243	3.9%
North America – Total TV HH	125.119	125.782	126.222	126.630	127.057	127.500	0.4%
Free-to-air households	15.640	15.490	15.189	15.083	14.994	14.847	-1.0%
Pay-TV households	109.479	110.292	111.033	111.547	112.064	112.442	0.5%
Latin America – Total TV HH	115.190	118.209	121.299	125.413	129.176	132.792	3.1%
Free-to-air households	94.359	96.144	97.474	100.146	102.282	104.251	2.1%
Pay-TV households	20.831	22.066	23.824	25.267	26.893	28.542	7.4%
Asia-Pacific – Total TV HH	618.690	634.157	650.011	666.261	682.918	685.700	2.2%
Free-to-air households	344.889	348.934	350.474	355.554	360.480	333.722	-0.6%
Pay-TV households	273.801	285.223	299.537	310.707	322.438	351.978	5.7%
Worldwide – Total TV HH	1 113.533	1 134.141	1 154.717	1 176.731	1 198.875	1 206.892	1.7%
Free-to-air households	576.114	575.386	572.143	576.384	580.746	554.476	-0.8%
Pay-TV households	537.419	558.755	582.574	600.347	618.129	652.416	4.3%

Source: IDATE, according to Pay TV October 2009

2.3. Market structures that are heavily dependent on national context

Pay TV is heavily dependent on the types of distribution networks it uses and therefore its development has varied widely from one country to another, mostly for historical and cultural reasons, but also for political and economic ones. The choices that were made in the 1960s—when TV was gaining a foothold in every household—either to encourage the development of cable networks or guarantee coverage across the entire territory by primarily using terrestrial networks strongly influenced the current structure of national TV markets.

Generally speaking, the countries in Europe that were historically cable-dominant are the countries where pay TV is most widespread. Yet most subscribers just have a basic plan (about 30 channels, for 8 to 10 EUR) instead of a premium subscription. This is the case in Germany, Belgium, the Netherlands and Luxembourg.

Conversely, for a long time only a minority of the population in countries with heavy terrestrial penetration was interested in pay TV, but those who were subscribed to premium services that were generally available over satellite. This is the situation in France, the United Kingdom, Italy and Spain.

The overwhelming majority of pay-TV industry stakeholders essentially operate nationally.

Despite the international presence of certain players (most of them American, such as UPC in cable and News Corp. in satellite), the fact of the matter is that the internationalization of a handful of players has not led to any real homogenization of the market structure. At most, it has resulted in more homogeneous content and pricing practices for commercial offerings.

Television, whether free-to-air or pay, remains first and foremost a cultural product rooted in a national context and national cultural habits. Only North American broadcasters and distributors are actually able to expand internationally.

2.4. Key factors for the evolution of pay TV in Europe

Despite the fact that it is weathering the economic crisis rather well, pay TV will need to evolve in the short term as a result of a host of factors, mostly related to technology, competition and consumption patterns.

High-definition (HD) TV, which is currently a short-term source of differentiation and increased ARPU for pay-TV operators, will soon be relegated to the everyday as DTT becomes the norm. Although 3D could reinvigorate innovation-based competition among pay-TV services over the longer term, a number of obstacles still need to be overcome before this technology can take off.

Faced with competition from more multichannel free-to-air offerings on DTT and the success of video-sharing platforms, pay channels must work even harder to offer value-added programming and services to build subscriber loyalty and attract new customers. Theme channels have the weakest business models and therefore are the most threatened.

As video consumption becomes increasingly independent of a TV schedule, pay-TV operators are gradually implementing solutions to meet viewers' need for flexibility and personalization. These services act as additional sources of revenue for these operators.

The predicted development of mobile TV is also expected to impact the sector, though for the time being mobile TV/video is still far from being a leading mobile service—users consider it more as a "nice-to-have" than a "must-have." Regular, sustainable patterns for mobile viewing remain to be established; they are currently limited to occasional use by a small percentage of savvier consumers.

2.5. Players will need to adapt their strategies

Threatened by the evolution of consumption patterns and the overwhelming free content available, pay-TV players will have to adapt their strategic positioning sooner or later to strengthen their brand image and attractiveness to consumers.

More than ever, quality is at the core of pay-TV strategies—quality content, quality sound, quality picture and quality service.

Quality goes hand in hand with innovation, and the leading competitors are racing to see who will be the first to introduce high-definition, 3D, VOD, DVRs, catch-up services, mobile and PC services, etc.

Quality and innovation have become tools for building loyalty and attracting more and more subscribers.

Specific strategies are emerging, by category of player:

Premium channels are stressing exclusive rights and quality content above all.

Satellite packages are banking on innovation and are especially active in the "anywhere, anytime" niche.

Cable operators are trying to take advantage of their exceptional network capacity, which allows them to offer an unparalleled lineup of channels and two-way communication.

Many ISPs have implemented a strategy based on offering a broad array of free channels with the purchase of an Internet subscription.

Finally, commercial DTT operators are essentially playing the "pay TV for all" card.

Table 9: Main areas in which European pay-TV players are active

	Channel programming	Distribution	Broadcasting/ Telecom	Production	Ad network
BSkyB	✓	✓	✓		✓
Chellomedia	✓			✓	✓
Cyfrowy Polsat		✓	✓		
Free		✓	✓		
Canal+ Group	✓	✓		✓	

	Channel programming	Distribution	Broadcasting/ Telecom	Production	Ad network
Orange	✓	✓	✓		
Premiere/ Sky Deutschland	✓	✓		✓	
Sogecable	✓	✓		✓	✓
Telefónica		✓	✓		
Telenor Broadcast		✓	✓		
UPC Broadband		✓	✓		
Viasat	✓	✓			
Virgin Media	✓	✓	✓		
Zon TV Cabo		✓			

Source: IDATE, according to Pay TV October 2009

3. Next Gen TV

3.1. The backdrop: TV-Internet convergence

The current innovations in television services are all part of a long-term trend of gradual convergence between traditional TV and the Internet.

The defining features of this trend are:

- **In terms of consumption patterns:**
  - more time-shifted and personalized viewing;
  - content portability;
  - consumption that combines broadcast, personal and Web content.
- **In terms of access:**
  - a wealth of new image distribution solutions and a pervasive network;
  - growing role of the device as the place where content is aggregated.
- **In terms of funding:**
  - fragmentation of ad revenue;
  - availability of free content, which makes it harder to generate revenue for pay programs.

These changes are breaking down the traditional television value chain in general, and the content distribution portion in particular. Distributing content is becoming increasingly complex from a technical standpoint, which is leading to the appearance of new middlemen to provide technical solutions (set-top boxes, software). In some cases, these middlemen play a dominant role in the commercial distribution process.

3.2. Key innovations

The case studies presented in this report demonstrate six major areas of innovation.

3.2.1. Convergence of broadcast and Internet services

Target 1: Enhance online video services

The video offering on the “open” Internet is becoming more robust in each segment:

- Video On Demand services are increasingly competitive as content is released on DVD and VOD on the same date → **Amazon**.
- “Social video” services choose the best programs and have access to back-catalog programs → **Dailymotion**.
- North American producers are distributing their programs on the Web → **Hulu**.

Target 2: Bring the Web to the TV

The television set is where most video consumption takes place. Web services are being ported to the TV by several methods:

- Traditional service operators (cable and high-speed Internet operators) are adapting Web content to the TV → **Dailymotion**.
- Service-neutral technology solutions (dedicated devices, software solutions installed on TV-type devices, digital hubs, storage units) are appearing → **Boxee**, **Yahoo! Connected TV**.
- Portal-type devices that include a service are being offered → **Apple TV**, **Sling.com**, **Archos Content Portal**, **VUDU**, **ZillionTV**.

3.2.2. New interactive usage

Target 3: Enhance the TV experience

Television programs are generating a second audience on social sites—an audience that is often known to "multi-task" by using their TVs, computers and mobile phones all at the same time. If industry players can integrate this kind of social consumption, they can keep audience watching broadcast programs as well as improve the video recommendation system:

- Connections between social networks (Facebook, Twitter) and TV channel programming, including creating a simplified version of social networks for use on the TV → **Dailymotion**, **Hulu**.
- Recommendation systems for VOD services that are based on user opinions or automatic recognition of consumer preferences → **Blockbuster**, **Fancast**, **Netflix**, **BLOBbox**

Target 4: Adapt advertising to new TV viewing habits

As broadcast and Web models converge, advertising is evolving towards e-commerce. The next generation of TV services aims to:

- Qualify TV viewers → **TiVo**, **ZillionTV**.
- Personalize advertising messages → **Hulu**.

3.2.3. The digital video household

Target 5: Create a new user interface

"Next-gen" television services need to bring together multiple video sources:

- linear streams coming from traditional TV channels;
- the à la carte version of these television services;
- video programs available on the Web;
- professional content on consumers' hard drives;
- consumers' personal content.

Aggregating content from such varied sources requires a new user interface. There are two competing approaches:

- "Overlaying" services on top of traditional television programs. The services can be drawn from Web content or user-owned content → **Yahoo! Connected TV**.
- Integrating new services and TV channels in an entirely new interface → **Archos**, **Slingbox**, **TiVo**, **Xbox**, **BBC iPlayer**, **Joost**, **Sky Player**.

Target 6: Integrate the TV set into the digital home

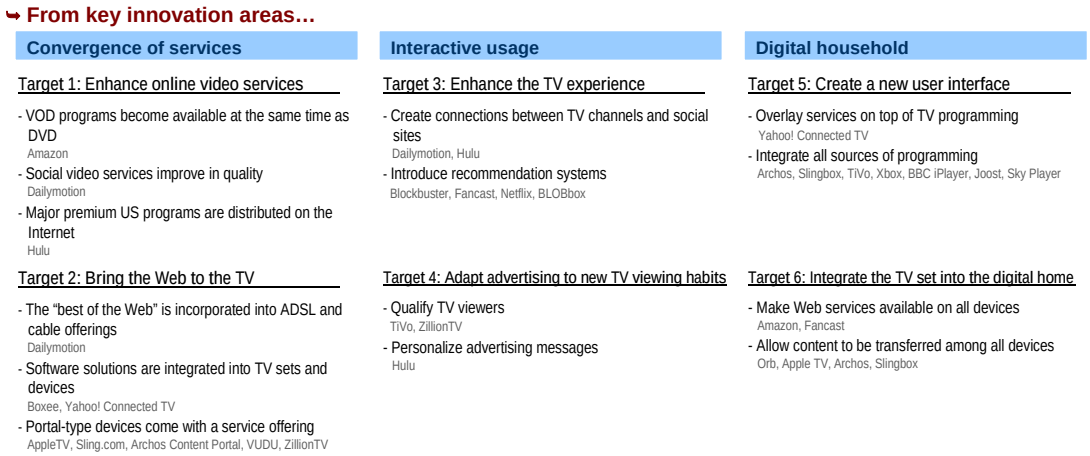
Whether consumers create their own content or buy or record it, this personal content must be accessible from each and every device, leading to competition between:

- The availability of content services on all devices → **Amazon**, **Fancast**.
- Solutions that allow content to be transferred among devices, either locally or online → **Orb**, **Apple TV**, **Archos**, **Slingbox**.

Then all of these devices must be able to be managed together:

- Online → **Slingbox**, **TiVo**.
- From a mobile phone or MP3 player → **VUDU**.

Figure 6: Innovations in TV services

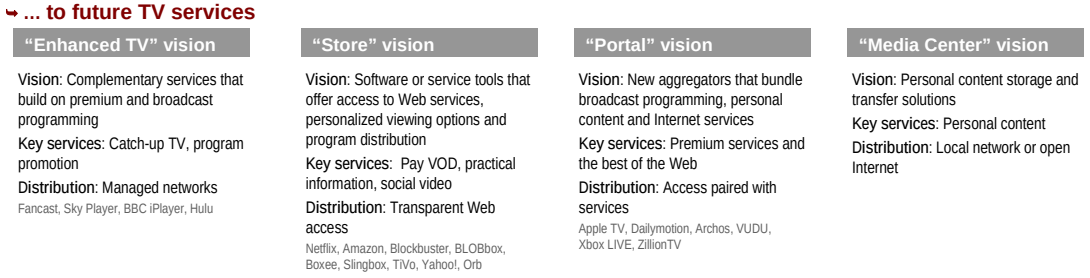


Source: IDATE, according to "*Next Gen TV*" report September 2009

3.3. Different visions of future TV services

The innovations summarized in the above section represent four different visions of what TV services will look like in the future:

Figure 7: Visions of future TV services

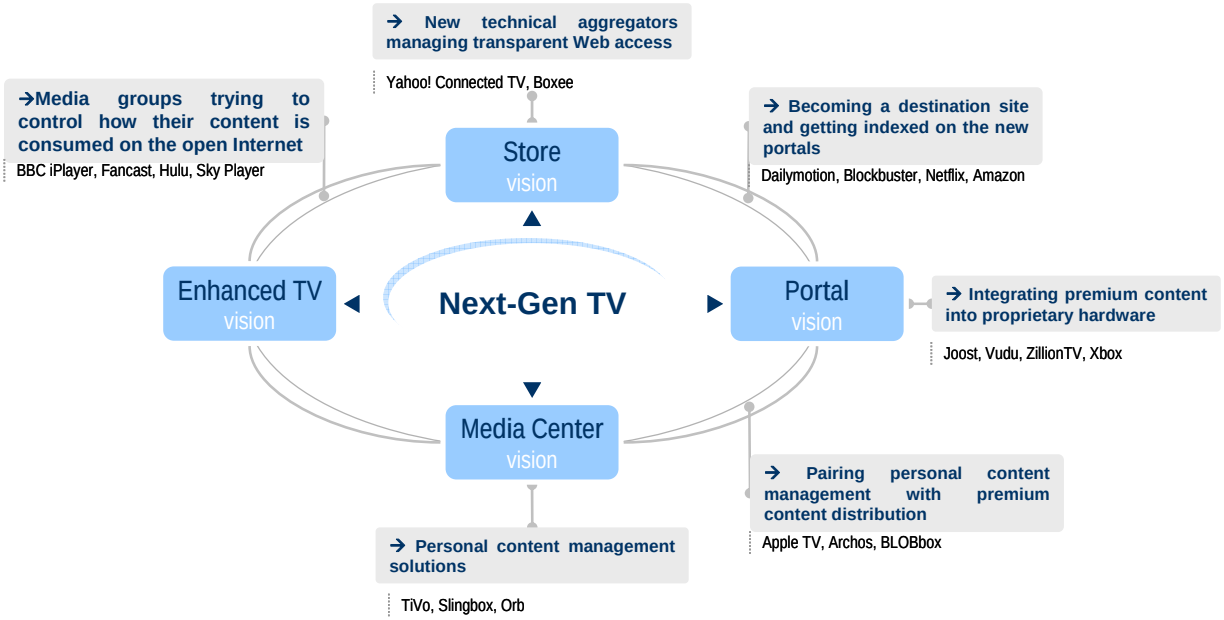


Source: IDATE, according to "*Next Gen TV*" report September 2009

3.4. Different positions for different innovators

The various innovators examined in this study position themselves differently based on their original areas of expertise:

Figure 8: Positioning of innovators



Source: IDATE, according to "*Next Gen TV*" report September 2009

3.5. A specifications sheet for next-gen TV

The table below summarizes the essential features of next-generation television services, according to IDATE:

Feature	Next-gen television services
Content	Subscription-based premium content packages offering pre-broadcast TV. For pay-TV subscribers, free access to services from multiple devices, on demand or according to the broadcast schedule. Free-to-air broadcast TV channels and a catch-up TV service. Outside of the catch-up TV window, a subscription package for VOD programs. Social video services, either on demand or as editorialized feeds. Photo and video content stored locally or on the network.
Services	Services with user-defined settings. Practical applications: weather, traffic, family calendar, etc. Program information and recommendations.
Interface	A unique interface where all content can be accessed on the TV, PC, mobile phone and storage device. Content can be managed and personalized from the PC, mobile phone or TV remote. TV viewers are identified by their mobile phones. Mobile phones can be used as remote controls.
Social networking sites	Recommendations system for TV and open Internet programs that is automatic and/or based on Web users' ratings. Users can use the TV to tell other community members what programs they are watching, in real time. Users can update social network profiles from their TVs. Users can send a personal video page or a channel to members of their network. Users can post videos viewed on demand on the TV to social networking sites.

Feature	Next-gen television services
Devices	All online services are available on all devices in the home. Content stored on one device can be viewed on another device.
Advertising / E-commerce	User-controlled advertising. Programs paired with related products (ticket sales, etc.)

Source: IDATE, according to "*Next Gen TV*" report September 2009

4. IPTV services over FTTx

4.1. FTTx technologies are best for IPTV services

In the broadest sense, the market for Internet Protocol TV -or **IPTV**- encompasses all forms of digital television service distribution over packetized broadband telecommunication networks that employ the Internet protocol.

In contrast to Web TV (which is delivered over the open Internet), IPTV is distributed over a network managed by an Internet access provider (in a so-called "walled garden") and is watched on a television set.

IPTV supports not only the distribution of television programming, both linear and time-shifted (video on demand), but also interactive services and applications, whether related to or separate from the TV programming.

Although **ADSL** is the leading technology the world over for IPTV service, its capabilities are limited, particularly because it uses asymmetrical speeds and the user can be only so far away from the distribution frame. The greater the distance, the lower the speed, whether upload or download.

Another technology, **VDSL**, which was followed by **VDSL2**, supports theoretical symmetrical speeds of up to 100 Mbps (VDSL2). However, because the carrying capacity is limited, the speed drops exponentially at approximately 500 meters from the DSLAM; therefore, the technology is used most often to extend a fiber optic network over the last kilometer.

The characteristics of xDSL technologies -particularly the constraint that speed degrades as distance increases between the user and the distribution frame- make it impossible to deliver services of equal quality to all subscribers. Very high speed technologies lift this constraint.

The various Very High Speed architectures available today are denominated FTTx, for "Fiber to the x". "x" varies depending on where the deployed fiber is terminated. There are several possible points, some closer to the end user than others. The three architectures deployed most widely are:

- **FTTN** (Fiber to the Node), in which the fiber is deployed only as far as an intermediate distribution point. The interconnection node can be a street cabinet, in which case the architecture may be referred to as FTTC (Fiber to the Cabinet or Fiber to the Curb).
- **FTTH/B** (Fiber to the Home/Building), in which the fiber is deployed up to the subscriber residence or building.
- **FTTLA** (Fiber to the Last Amplifier), which is used by cable-operators who wish to modernize their infrastructure by deploying optical fiber up to the location of the last amplifier before the subscriber. In most cases, the amplifier is located at the foot of the building, which often results in FTTLA and FTTB being the same.

Because of its technical characteristics, especially its performance on upload and download speeds, optical fiber is in many ways better than xDSL for IPTV services. All FTTx networks, and FTTH networks in particular:

- Raise overall IPTV service quality to a constant, optimal level. This results in better image quality, speed, reliability, etc., which in turn facilitates the expansion of HD and 3D.
- Support simultaneous TV applications on different TV sets in a single household.
- Facilitate the growth of interactive services.

4.2. Fiber and IPTV markets in seven industrialized countries – parallel trends

The operators examined in this study are in markets characterized by high fiber growth or high IPTV growth. Sometimes one drives the other.

- In **Western Europe**, fiber has not been deployed as extensively as in Asia, but it is growing, as illustrated by the cases of Germany and France.
- In **Germany**, the fiber market is still emerging and is driven by the incumbent operator. **France** meanwhile is the IPTV leader not only of Europe but of the world; the offerings in France include IPTV bundled with Internet access and IP telephony for 30 EUR a month. In **Spain**, IPTV and fiber at this time are dominated by the incumbent operator.
- In **Eastern and Northern Europe**, fiber optic network growth has been rapid, and in 2009 Sweden, **Norway** and Slovenia led the adoption of optical fiber in European countries. In Norway, IPTV service launches are very recent, but IPTV growth is high: Lyse aims to reach 400 000 subscribers by 2012.
- Asia is characterized by high growth of very high speed and by nearly total ADSL coverage.
  - In **South Korea**, regulatory constraints for a long time prevented operators from offering IPTV, and they had to content themselves with VoD only. For about a year now since the constraints have been lifted, South Korean operators –SK Broadband and KT Broadband in particular– have been offering conventional IPTV services, which they are enhancing with interactive modules. South Korea's emergent IPTV services run on a very high speed network, which had more than 15 million subscribers in 2009.
  - **Hong Kong** is the leading IPTV market in the world, with a household penetration rate above 50%. The fiber growth there is remarkable as well; in terms of FTTH/B subscribers, Hong Kong ranks 5th in the world.
- In the **United States**, competition from cable operators has driven FTTH deployments as telecom operators have turned to fiber as a way to differentiate their services. Though IPTV still lags, Verizon and AT&T are promoting it heavily with innovative service offerings that are carving out a place for Internet applications on the television set.

4.3. IPTV + fiber: What is the winning strategy for telecom operators?

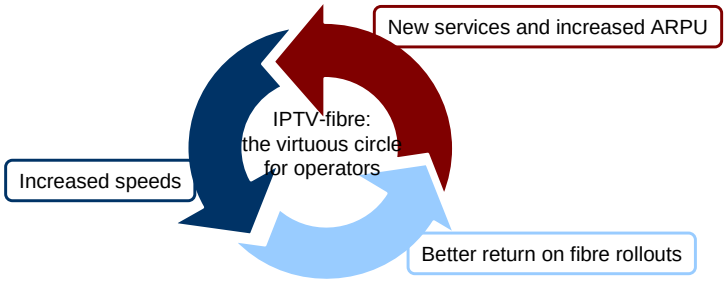
Our examination of the xDSL- and FTTx-based IPTV services offered by numerous operators in the Asian, European and US markets where these two technologies are significant leads us to conclude that **the services offered over FTTx and over xDSL are fairly similar and do not disrupt other consumption**. Therefore, it seems that there is no killer application for fiber-based IPTV services.

However, operators continue their efforts to find a killer application for fiber because although fiber is essential for delivering Internet and television services simultaneously and meeting consumers' ever-rising demands for quality, it has yet to be linked to a key application which alone can justify deployment.

Today, IPTV is without a doubt the leading sales argument for fiber to the residential market because it provides a better TV experience for the user and enables additional services related to concurrent consumption.

Moreover, television usage is undergoing major change, and this change is clearing a path for the introduction of higher speeds and innovative services that will contribute to higher ARPU for telecom operators and render fiber deployments more profitable. This profit potential is another reason why the operators that are rushing to offer higher speeds are striving to do so before their competitors.

Figure 9: IPTV-fiber: The virtuous circle for telecom operators



Source: IDATE

Fiber has not changed the television services market nor will it change it because, as a technology, it is unable by itself to alter usage or player share in the value chain.

Television usage is undergoing major change…

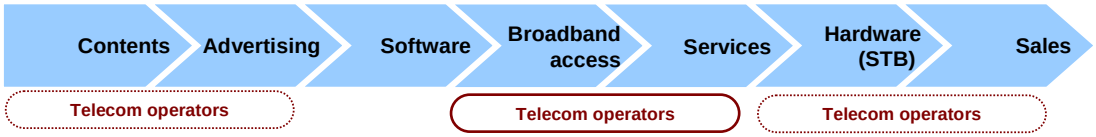
We are entering a new phase of television usage. It is characterized by migration to the Internet. This current phase, which is characterized by migration to the Internet, is accompanied by (or will be accompanied by) **a rise in time-shifted consumption, integration with social networks, and technical solutions** that allow Internet content to be accessed from a television set. The various technical solutions, in combination with the Internet-television convergence now taking place, are determining today's IPTV offerings for the residential market and are creating a larger place in the television value chain for suppliers of OTT (Over the Top) services.

Continue to deploy fiber networks to support innovation and capture the value inherent in IPTV

In the new competitive environment, operators need to **innovate** and launch new IPTV services to gain better control over the value available from IPTV. To do that, it is **essential that they continue to deploy fiber networks**. **Value** is captured mainly through **targeted interactive advertising, interactive applications such as T-commerce, and strengthening the role of telecom operators in content provision**.

Telecom operators may not be innovating very quickly or opening up their set-top boxes to available content, but Web players and OTT service providers are gaining strength in the television market.

Figure 10: Position of telecom operators in the IPTV value chain



Note: Strictly speaking, the position certain operators hold despite the fact that their core business is in providing service access.

Source: IDATE

Although FTTx technologies themselves are not changing the IPTV market, they are indispensable to telecom operators in confronting changes in the television market because they provide the basis for creating value and for maintaining and even strengthening the operators' position in the IPTV value chain.

5. Internet Video – How to monetise

One thing is clear: Internet video will continue to expand and now constitutes a path for development and diversification for TV industry players. Time-shifted viewing is still only nascent and a great many players, from inside and outside the television industry, are gambling on a position in this market.

After the first trials and rollouts, we have reached a consolidation phase where the issue of turning a profit is being raised. Up until now, only the sector's leaders appeared capable of achieving a positive revenue/cost differential with their services (excluding committed costs).

Although point-to-point distribution for on-demand services offers very limited chances of improving what are primarily variable costs, the path to success appears to lie in better monetisation of the services.

What needs to be examined next is the impact of improved video quality -which is still below that of what viewers get on their TV screen- of taking greater account of the Web's community aspect and the opportunities for carrying these services beyond the Internet and onto other devices.

5.1. Internet video will become a mass market

IP video consumption is skyrocketing in all of the major markets covered by this report (USA, the UK and France) and around the globe.

Video will continue to drive the increase in Internet traffic as consumption rises, as TV services migrate to the Web and with the expected improvement in picture quality -the turning point here being the increased consumption of high definition programmes.

5.2. Services with varied targets and business models

Internet video services can be segmented based on the relationship between the type of content and the target audience. Services based on premium TV/cinema content targeting a large audience are operating a short-tail strategy (premium VOD, catch-up TV), unlike video services aimed at a mass market based on a huge volume of more or less amateur videos and targeting large user communities (social networks and video sites like Dailymotion and YouTube). Between the two is the mid-tail, with services aimed at a qualified audience based on back catalogue content (e.g. Joost). This position can also be part of a larger strategy and fit with long-tail players' target audience.

The second feature that qualifies the categories of service is the revenue model. Short tail models are based on pay-per-view or high CPM (in-stream ads), whereas long tail models rely on audience-based ad revenue from sites where very few videos are monetised.

5.3. Distribution cost that remains variable by and large

For moderate bitrates (of under 1 Gbps), unicasting is still a cost-effective model, but does not offer the same QoS as a CDN (content delivery network). Mixing transit and peering, peered unicasting and hybrid P2P are still the cheapest solutions to operate, albeit delivering even lower quality of service.

For higher speeds, a CDN is the most cost-effective solution (aside from P2P). Switching from unicasting to a (third-party's) CDN is cost-effective starting at 5 Gbps (close to 8 Gbps for a unicast that is 75% transit and 25% peering). Economic gains are of course even greater with a hybrid CDN solution (CDN+P2P).

The cost of a CDN is the same as for hybrid P2P solutions when very high volumes are involved (from 100 Gbps upwards), for which operators accepting peering exchanges are increasingly rare which, for the hybrid P2P solution, means increasing the number of points of peering and so the underlying hardware costs.

For very large volumes (above 50 Gbps), economic gains shrink quickly with unicasting and P2P solutions as unit costs hit an absolute minimum, and only the unit costs of a CDN continue to drop, albeit rather slowly.

Except in cases where massive discounts are had via negotiations (e.g. taking advantage of a very unstable and so very competitive CDN ecosystem), Internet video solutions do not make it possible to generate substantial economies of scale. Per-video costs continue to decrease, but are reaching their minimum.

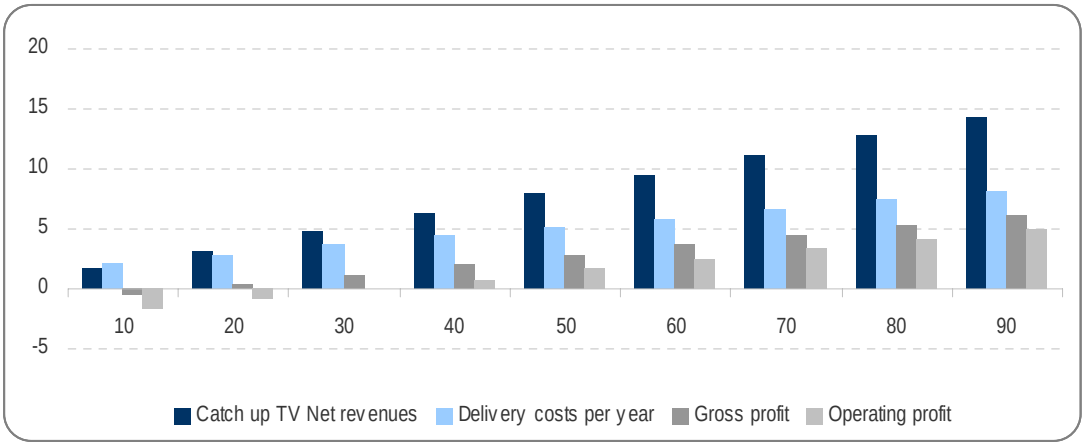
5.4. Disparate assessments of business models by type of service

- The marginal value generated by each VOD programme makes it possible to cover distribution costs easily, and to generate the highest per-video margins.
- The economic equation of catch-up TV services is improving as their consumption increases, but this is not a decisive factor to achieving economic equilibrium. There is a threshold that needs to be reached, however, below which marginal gains per video are not enough to make the offer profitable.
- Viral or UGC (user-generated content) platforms are not yet managing to generate enough revenue per video to offset distribution costs, but the traffic generated by the service is allowing them to recuperate ad revenue from traffic, and so diminishing the handicap of having very little in-stream advertising. Despite their impressive audience figures, it has become vital for these services to segment their offer according to users' stated tastes, and to incorporate professional content more and more to achieve a profitable model.
- Small services in particular are having to contend with the success penalty, i.e. costs that outweigh revenue as their popularity increases.

5.5. Elements enabling improved profitability are appearing

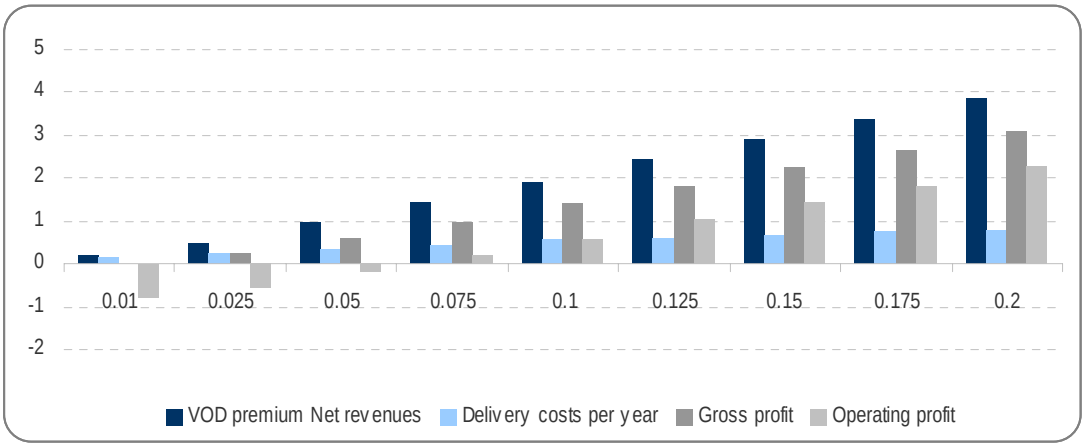
- Migration of online services to the TV set, which helps increase viewership, as is the case with VOD in France where the leading platforms are available on PC and TV via triple play bundle providers. This shift nevertheless involves payment to the service operator. We could see open online services via IP boxes or Web-enabled TV sets, but the mechanics of creating this kind of ecosystem are still very complicated.
- Most of the leading service providers could improve their economic situation by increasing the volumes consumed. Such is not the case, however, with long-tail services where the goal is to qualify the audience with mid-tail content. In any event, increasing per video consumption is remains key to the monetisation process.
- Increased ad revenue could be had by increased monetisation of the videos, by the sale of ad space on the site's homepage and from the dual impact of increasing and qualifying viewers.
- And finally, viral and syndication options are still underexploited. Using the necessary monitoring tools, there are ways to translate Internet video into growth outlets. What remains is the issue of programme copyright, which is still fragmented, whether on the Web or the embryonic but promising multi-platform distribution market.

Figure 11: Catch-up TV revenue & costs according to volume of content
(in million EUR)



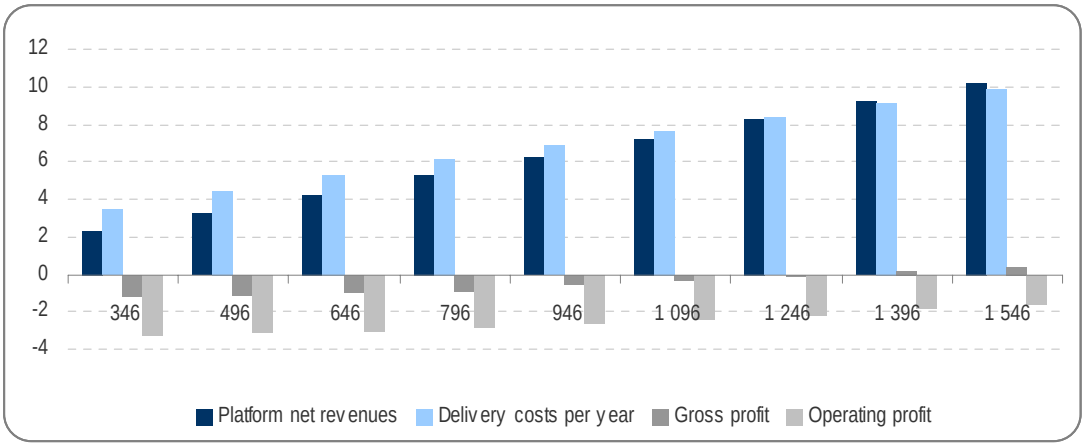
Source: IDATE, according to "*Internet Video*" report November 2008

Figure 12: VOD premium, revenue & costs according to the volume of content
(in million EUR)



Source: IDATE, according to "*Internet Video*" report November 2008

Figure 13: Viral platform, revenue & costs according to the volume of content
(in million EUR)



Source: IDATE, according to "*Internet Video*" report November 2008

6. Which Network to deliver HDTV?

Primary conclusions

- **By network**
  - **Satellite**
    High occupancy rates in premium positions covering the six major European markets being examined in this report, and even saturation in some positions, which will drive operators to increase their available capacity in the short term. We maintain that operators will undertake this adjustment, and some have already begun to do so. From a more general perspective, satellite still leads the way in terms of available capacity for HDTV and coverage (but will eventually be rivalled by DTT).
  - **DTT**
    The advantage of virtually nationwide coverage that this network has is unfortunately marred by a limited capacity to deliver HDTV before the switchover to digital, and by broadcasting costs that are much higher than for other networks. DTT nevertheless still has the advantage of singularity: it is the free HDTV network "for all", offering the easiest way to switch from HD-ready household to active household. In addition, for the channels, DTT remains a "protected market" with an unequalled audience-to-competition ratio.
  - **Cable**
    Currently nearing saturation, cable networks' capacity to offer a broad selection of HD channels is limited, particularly as operators need to anticipate a growing load on their networks as IP-based content and services continue to expand. This means that they need to take better account of TV broadcasting requirements. If they do perform the needed upgrades, in most of the markets being examined cable should be able to provide enough bandwidth to distribute all of the HD channels available in their markets.
  - **IPTV**
    - ADSL2+ provides high enough HD coverage for operators' target markets, namely urban centres. This network nonetheless has the lowest rate of HD eligibility and does not allow for several parallel HDTV services, added to which increasing coverage could have a negative impact on the quality of the TV service.
    - In its FTTH (to the home) incarnation, optical fibre is still lacking in terms of coverage, with pioneer rollouts only just underway. Requiring the largest investments for greenfield installations, this technology nevertheless offers IPTV over xDSL operators solutions for their bottlenecks, and can support future generations of HDTV and 3D TV, as well as a multi-stream TV offering.
  - **Internet**: If, given the rate of broadband penetration, the network's eligibility to offer HD viewing is high in the countries being examined here, it is nonetheless hampered by best effort bandwidth delivery, which is below what is needed for high quality streaming. Although more time consuming, downloading offers a solution to this issue.

- **By country**

  - **Germany**
    The digital switchover, which has already taken place on the terrestrial network, is key to resolving capacity issues in this market.

  - **Spain**
    Spain has the advantage of a relatively homogeneous HD-compatible network, comparable to the one in France, although HDTV is still only nascent. The market's long-term capacity to absorb additional HDTV channels (comparable to Europe's leading markets) seems good, with extra capacity available on DTT and satellite.

  - **France**
    France has taken a lead in the HD segment on the terrestrial front. Other networks are in good shape too with a relatively rich and homogeneous HD offer on satellite, cable and IPTV. Compared to the five other markets begin examined, the country has the best developed IPTV market in terms of its HD selection.

  - **Italy**
    The complexity of Italy's terrestrial frequency market and the delays in the analogue switch-off are creating doubts over the possibility of a broad HDTV rollout on the terrestrial network. The lack of cable networks and a downturn in the IPTV market are leaving the field open for satellite-based HDT delivery.

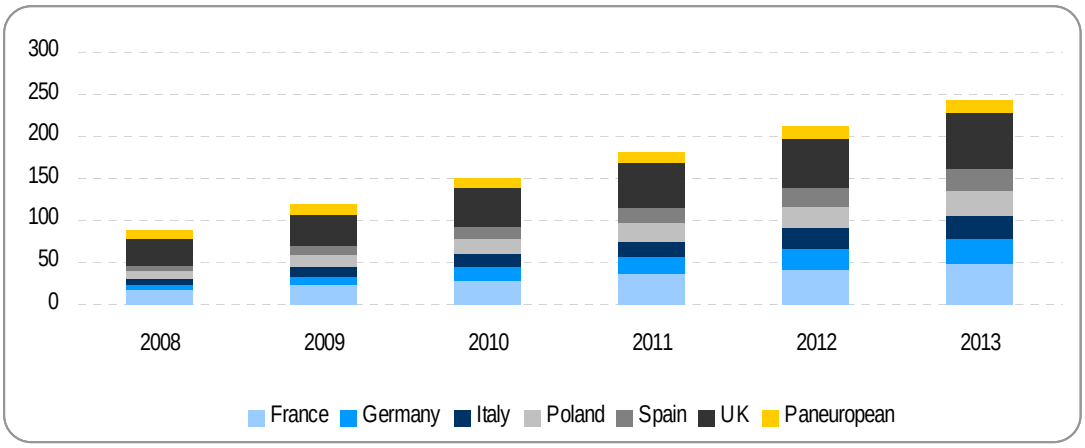
  - **Poland**
    Although below average compared to the six major European markets in terms of cable network capacity and the HD compatibility of IPTV, the high-definition offer on these networks is still high. But they need to increase their capacity to be able to expand their coverage.

  - **The UK**
    Wireline networks currently trail behind, with a virtually non-existent HD offer on cable and almost no IPTV market at all. With Sky Digital leading the way, the satellite network will continue to dominate the HDTV landscape if transponder capacity can satisfy demand, given that the British orbital slot is relatively exclusive. On the terrestrial network, meanwhile, broadcasting costs are high and there is very little room for HD on the already very crowded DTT network. In addition, within the timeframe being looked at here, i.e. up to 2013, the catalyst of new frequencies becoming available is relative, with the analogue switch-off planned for 2012.

6.1. Average 23% annual increase in the number of TV channels, up to 2013

- Although premium channels (movies, sports, documentaries) were initially the only ones to make the switch to HD since they were the most affected (live events, etc.), they have since been joined by specialty channels, many of which are owned by American companies that have already switched to HD.
- Europe continues to be a disparate landscape, in many cases reflecting the main national trends:
  - cable's dominance of the German market is also true for HDTV,
  - satellite is still the only network offering HD programming in Italy and the UK. This dominance is the fruit of an HD migration policy from joint parent company, BSkyB;
  - France is keeping pace with the rise of IPTV which already offers 11 channels, closing in on satellite and cable;
  - satellite enjoys a solid position in Poland, as a result of fierce competition between the country's two main operators. HD has now become a selling point. Poland also remains a country with a strong cable culture;
  - Spain is lagging slightly behind when it comes to HD offers.
- In 2008, there were close to 80 HD channels being broadcast in Europe's "Big 6" markets, with forecasts indicating 240 channels available in high definition in 2013, in other words a CAGR of 23%.

Figure 14: Number of HDTV channels in Europe's "Big 6" markets, 2008-2013



Source: IDATE, according to "*Which Network to deliver HDTV?*" report, May 2009

6.2. Varying levels of HD compatibility, depending on the distribution network

- Satellite: despite a certain lack of orbital positions and fill rates on premium transponders that are nearing saturation in some cases, satellite still boasts the largest volume of available capacity for HDTV and the highest rate of coverage (which will eventually be rivalled by DTT);
- DTT: has the advantage of a virtually nationwide coverage, albeit marred by a limited capacity to deliver HDTV before the switchover to digital, and by broadcasting costs that are much higher than for other networks. DTT nevertheless still has the advantage of being the "free" HDTV network.

- Cable: currently reporting occupancy rates that are nearing saturation, cable networks' ability to offer a broad selection of HD channels is limited. This is especially true as operators need to anticipate a growing load on their networks with, on the one hand, the increasing volume of IP-based content and services (including P2P and over-the-top video) and, on the other, the development of TV on-demand offers, including VOD. Cable may, however, be the network that will make greatest technological strides in the near future: as it switches over to IP it could take on all these categories of service. At the same time, the introduction of the DVB-C2 standard and the digital transition will help, respectively, to improve capacities and free up frequencies. Achieving either one of these should allow cable to provide a high enough level of availability to distribute all of the HD channels available in their markets.
- IPTV: HDTV is compatible with ADSL2+, but it is FTTH that offers IPTV over xDSL operators solutions for their bottlenecks, making it possible to support future generations of HDTV and 3D TV, as well as a multi-stream TV offering.
- Internet: HD consumption is limited by best effort bandwidth delivery, which is below what is needed to deliver good quality streaming (13.5 Mbps by our estimates). This quality remains relative, however, as HD is best streamed at 2 Mbps, which is well below TV standards. Although more time consuming, downloading offers a solution to this issue.

6.3. Digital network coverage levels: the decisive factor in household eligibility for HDTV services

Coverage is the factor that will determine households' eligibility for HDTV services since connection to a digital network is needed to deliver these offers. That alone is not enough, however. On IPTV and Internet networks, for instance, there is also the matter of bandwidth. In addition to available channels, dedicated HD equipment is required to be able to consume high definition offers.

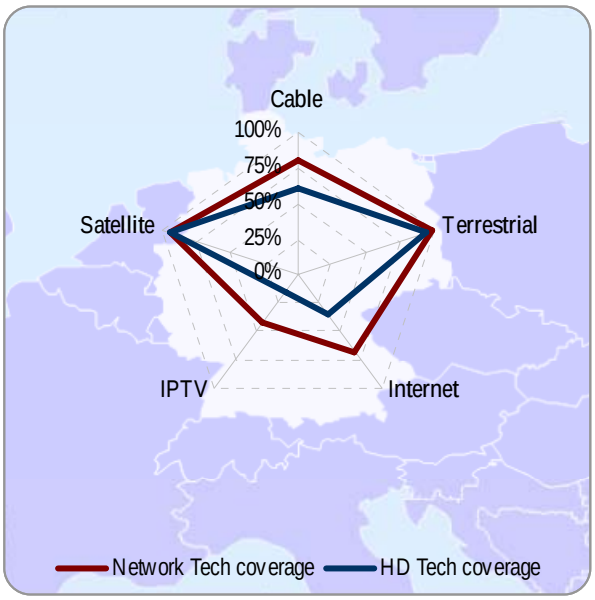
As a result, two networks are the best suited to HD broadcasting to the greatest number of viewers, thanks to their near nationwide coverage (close 95%):

- satellite,
- and the terrestrial network via DTT (digital terrestrial TV).

There are certain national disparities worth mentioning, however:

- Because Germany has already completed its analogue switch-off, HD eligibility levels on DTT are equal to coverage, i.e. 95% of the population.
- In the UK, 94% of the cable network has been digitised, in a digital TV market that is still dominated by satellite and DTT.
- IPTV penetration in French households is the highest of anywhere in Europe, and France is the only country where HD is available on all networks.
- In Italy, cable is non existent, and the local loop for IPTV is one of the best among the countries being examined. IPTV has met with little success, however, in this country dominated by satellite and terrestrial broadcasting.
- In Poland, DTT is due to launch in 2009. Only 35% of the country's households have digital TV.
- And, lastly, Spain and France are the only two countries where HD is available via DTT. In Spain, the analogue switch-off will be complete in April 2010, which will bring the HD eligibility rate to 98% of the population.

Figure 15: Technical coverage comparison in Germany, in 2008



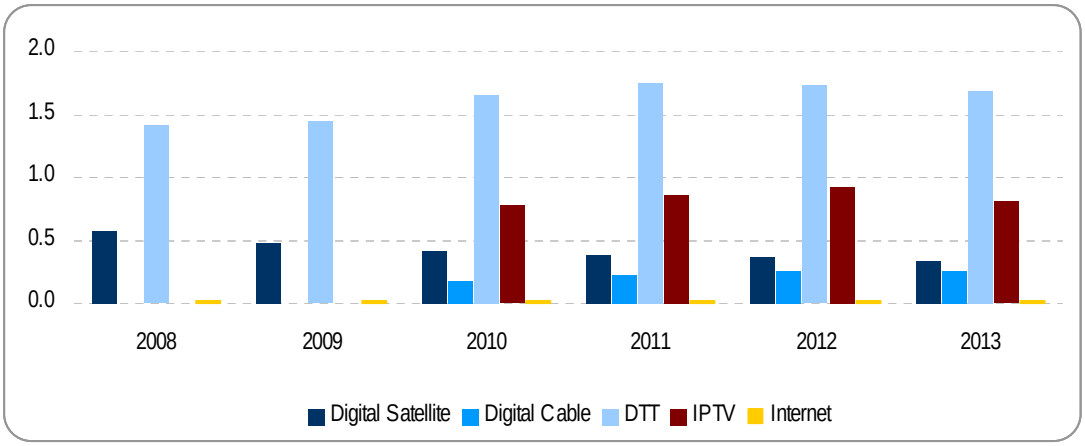
Source: IDATE, according to "*Which Network to deliver HDTV?*" report, May 2009

6.4. Benchmark – Germany, Spain, France, Italy, Poland and the UK

- Terrestrial broadcasting costs vary from country to country, and are influenced by the price of services and actual coverage levels.
- HDTV distribution costs on wireline networks are lower than on wireless satellite and DTT. But the wireline and wireless ecosystems are very different, added to which the relationship between broadcasting costs and population served, which is more favourable for wireless, narrows this gap.

Figure 16: Spain, HDTV cost per HD "addressable HH"

(EUR)



Source: IDATE, according to "*Which Network to deliver HDTV?*" report, May 2009

In terms of HD network coverage and total addressable market

- With the exception of Germany and Poland, DTT and satellite are neck and neck when it comes to HD coverage levels, with both covering around 95% of households.
- IPTV, which is benefitting from improved compression thanks to MPEG-4 AVC, is providing increasingly stiff competition for cable in terms of coverage, and has already overtaken it in some countries, such as France.
- In terms of addressable households, DTT leads the way in France, Italy, Spain and in the UK in terms of the ratio of active digital households to HD network coverage. The impact of a successful switchover to HD will therefore be greater.
- How easy it is to obtain HD reception equipment (and therefore its affordability) will determine the level of success in converting an HD addressable household to an active HD household. This is particularly significant in the area of free-to-air TV.

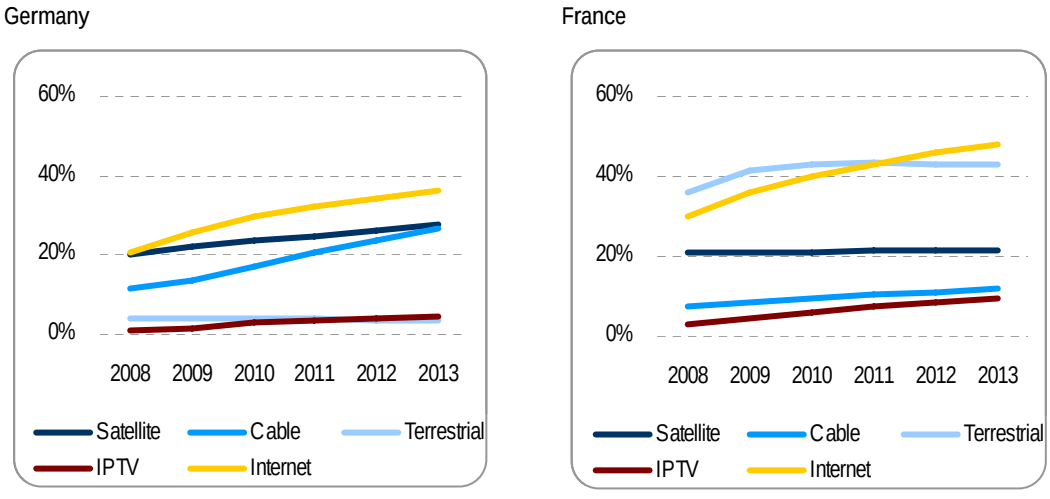
In terms of HD capacity

- Satellite gives rise to capacity issues that are more European than national in scope. It remains the leader in terms of capacity that can be mobilised for HDTV.
- Cable lags behind due to a lack of frequencies freed up by the digital switchover thus far, and to the still growing demand for SD channels in some countries.
- DTT continues to be handicapped by the limited amount of spectrum available to it, even considering the hypothesis of it being allocated a large portion of the frequencies freed up by the switch-off.
- IPTV is considered to have unlimited backbone and access network capacity during the period covered by this report. But optical fibre rollouts will make it possible to better manage bottlenecks on the access network, and to offer simultaneous, dual stream TV services.

The diagrams below depict the proportion of HD addressable households for each network, according to that network's technical HD coverage – and so providing a measure of its commercial efficiency.

Figure 17: HDTV network maximum take-up rate in France and Germany, 2008-2013

(as a % of households)



Source: IDATE, according to "*Which Network to deliver HDTV?*" report, May 2009

7. 3D – Rollout conditions and scenarios

7.1. Principal findings

- Stereoscopy, which is the current 3D standard, is considered to be the first generation technology of native 3D video. **Autostereoscopy**, which will make 3D glasses obsolete, is being touted as the next 3D format.
- The technical audiovisual chain will have to adapt to the arrival of 3D. The main point that is still up in the air is which image format will be chosen, given the lack of an industry standard. Finally, in order to enjoy 3D video, the end user will have to get a compatible screen (TV or monitor).
- One positive factor for development is that the industry should benefit from the work accomplished during the HD transition, since 3D will use HD post-production as well as distribution infrastructure.
- 3D cinema seems to be growing strong. The entire technical chain appears to be stepping up to solve the problems posed by 3D, from producing more movies in the format to outfitting theaters appropriately. What's more, the business model already seems solid, with higher revenue per title for 3D releases.
- The future of 3D television appears less clear. There is little content; business models have yet to be established; and another factor exogenous to the industry remains problematic—the extents to which homes are equipped with 3D-compatible TVs or monitors. It seems crucial that a common standard be put in place as soon as possible. It would also be beneficial if 3D/HD synergies could be maximized to ensure the development of 3D.
- The gaming market will benefit from its ability to easily convert video games to 3D, initially for PC applications. Later it will become a key driver in equipping households with 3D TVs, which in turn would facilitate the rollout of television services in the format. Another chicken-and-egg dilemma is rearing its head, however, with uncertainties about whether console makers Nintendo, Sony and Microsoft will launch next-generation consoles before a 3D TV market is in place.

7.2. Native 3D

The term **stereoscopy** covers all of the techniques used to create the illusion of relief from two 2D images. This relief is achieved by adding a third dimension—depth.

Stereoscopy, which is the current 3D standard and will remain as such for the coming years, is considered the first generation of **native 3D video** technology. **Autostereoscopy**, which will make 3D glasses obsolete, is being touted as the next 3D format.

With the wide variety of existing image formats pushing for the adoption of a standard, another challenge has emerged: all image formats are not compatible with all screen types (DLP, plasma and LCD).

Figure 18: Compatibility between image formats and screen types

Number of views	Image format	Adapted display	Glasses
2	Anaglyph	2D display	Red/blue
2	2D + Metadata	Stereoscopic	Passive
2	Spatial	Stereoscopic	Passive or active
2	Time	Stereoscopic	Active
Multi views (up to 25)	-	Autostereoscopic	No

Source: IDATE, according to "*Video 3D*" report, October 2009

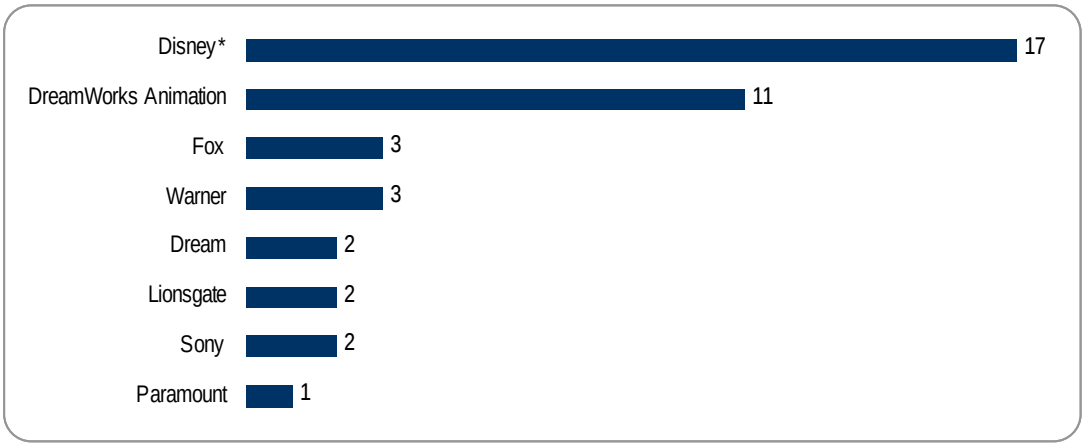
7.3. Cinema is the current 3D market driver

The number of 3D films and theaters is rapidly increasing

In 2008, we saw the existing global 3D base double in size. There were more than 2,500 3D screens worldwide by the end of 2008 (almost twice as many as in 2007).

3D film production is booming, propelled by animation and Hollywood. In the United States, three-dimensional cinema is developing rapidly and about 30 films are slated for distribution in 2009, primarily in the animation and horror genres.

Figure 19: Number of upcoming 3D releases scheduled by US studio



* Includes Pixar productions

Source: IDATE, according to 3D@Home Consortium

Theaters are also expected to see an increase in alternative 3D content. More and more screenings are dedicated to content other than full-length feature films. Since this content is usually event-based in nature (operas, concerts, sporting events, etc.), it is broadcast live.

Early 3D TV initiatives

Although it will take several years for the dominant 3D television technologies and some type of standardization to emerge, some broadcasters have already announced commercial product trials and launches.

- Japanese operator BS11 Digital was the first channel in the world to offer 3D TV programming, currently broadcasting 30 minutes to an hour per day.
- British pay-TV operator Sky Digital conducted its first 3D TV broadcast trial last December.
- In April 2009, French operator Orange successfully produced and broadcast its first 3D program during a soccer match. The company has since duplicated the experiment during the French Open tennis tournament.
- Telefónica has partnered with Philips to launch a VOD platform in autostereoscopic 3D.

Video games expected to be a growth engine for 3D

Although there are very few native 3D games available today, there are about 300 “3D-Ready” video games on the market. Many systems, like the NVIDIA technology, allow users to upconvert 2D games to 3D.

But we will undoubtedly have to wait for the next generations (between 2011 and 2013) for console manufacturers to harness the 3D phenomenon.

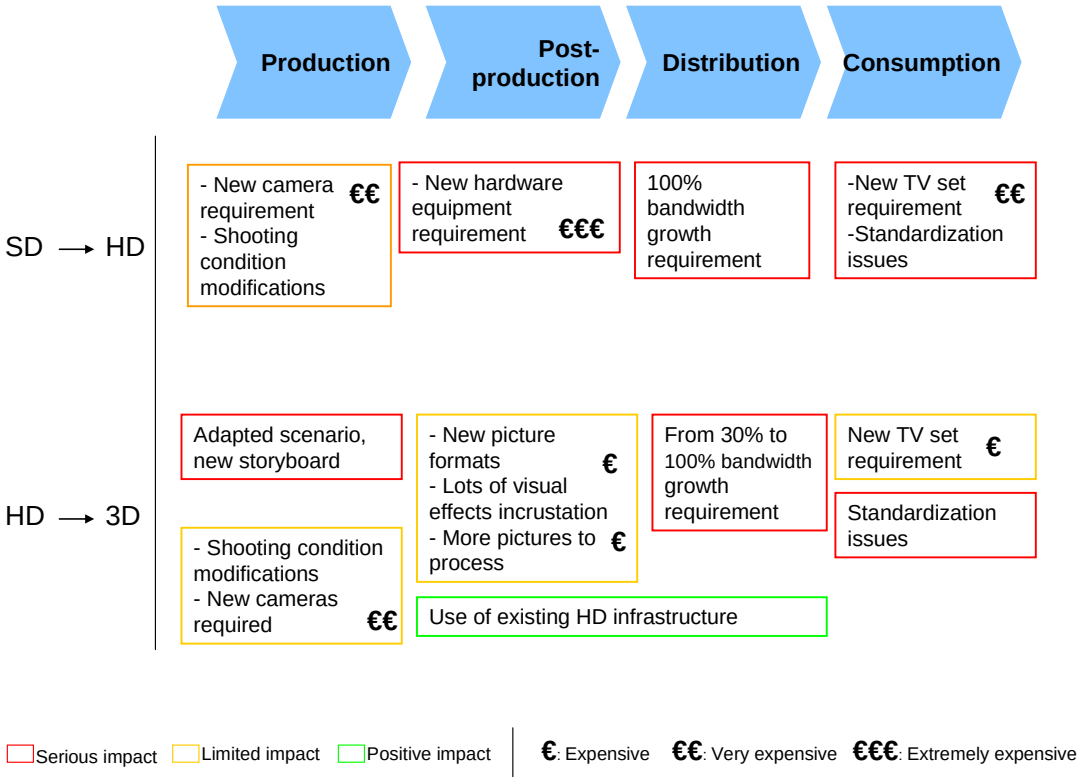
Digital signage

This form of display can be used in diverse applications: out-of-home advertising, information intended for travelers in an airport or customers in a store, edutainment software in a museum, corporate communication in the lobby of a company, etc. This market is developing rapidly and represents a significant opportunity for 3D technology.

7.4. The audiovisual chain will need to adapt to 3D

The transition from HD to 3D will not be easy. But by industry players' own admission, it will be less painful than the transition to HD, which required them to make major financial investments in order to be properly equipped. The technical audiovisual chain will have to adapt to the arrival of 3D.

Figure 20: 3D TV technical chain and transition from SD to HD to 3D



Source: IDATE, according to "*Video 3D*" report, October 2009

As with the shift to HD, production teams will first have to acquire new cameras with two lenses (for left and right views). Furthermore, since 3D is more immersive, it could also change the way movie scripts are written and how they are filmed, using more shots for example.

Because 3D is based on at least two image streams (in stereoscopic 3D), post-production teams will have to process twice as many images 3D is also expected to call for more extensive special effects.

The main point that is still up in the air is which image format will be chosen, given the lack of an industry standard. Even so, the industry should benefit from the work accomplished during the HD transition, since 3D will use HD post-production as well as distribution infrastructure.

The most important impact on distribution will be a renewed increase in the bandwidth required to accommodate 3D's higher level of encoding. The industry will have to work together to find new capacity resources.

Finally, in order to enjoy 3D video, the end user will have to get a compatible screen (TV or monitor). Fortunately, prices are not expected to jump as sharply during the shift to 3D as they did when HD TVs began to be released, in comparison to a TV with similar features from the previous generation (HD and SD, respectively). However, image and display standard compatibility issues still remain.

7.5. 3D does not offer the same opportunities for every player in the sector

Content operators

3D is opening up a new market, albeit still limited, that can only be satisfied by delivering an immersive user experience. It also represents an opportunity to offer content that is less easily pirated.

We already know that the cost of producing a movie developed and filmed in 3D comes with a 10% to 25% markup for the technical portion. Support from co-productions could help absorb this extra cost more easily.

Compatibility between 3D and 2D productions (known as “backward compatibility”) appears to be a crucial issue for TV industry players. The trade-offs will become clear when it’s time to choose the filming method.

Despite recent advances made by SMPTE with the “3D Home Master” standard, the lack of a standard remains a major problem.

What editorial policy will 3D TV broadcasters decide on?

For **commercial television channels**, the lack of a business model may mean 3D remains an expense line on the budget. Only premium or theme channels (sports, movies, animation, etc.) are expected to be able to eventually strike a balance using a pay-TV model, which explains why sports channels and associations in the US have already conducted numerous 3D trials.

TV package operators are facing the same challenges with 3D as they did with HDTV.

- How to increase customer loyalty and/or generate more ARPU. One example: 3D could be offered to consumers on an optional subscription-based event channel.
- How to differentiate their offerings from their competitors’. This was at the core of the HD positioning strategy adopted by satellite packages.

In particular, **3D Video on Demand** may be a differentiating factor that draws in wired network operators (cable and IPTV operators) that have already launched VOD offerings. **Multi-site PPV transmissions** may be another option. Although so far PPV services have met with limited success, one unique variation could take shape: multi-site content distribution, like a soccer game being broadcast simultaneously in homes, movie theaters, bars and other appropriately equipped venues.

Major challenges for players in the technical distribution chain

A growth engine for consumer device manufacturers

Equipment manufacturers clearly have a specific objective with 3D TV (to sell TVs). The adoption of HD (because of price drops) is beginning to reach maturity, so 3D represents the new growth engine for equipment manufacturers. Besides screens, there are several other devices that may also capitalize on the 3D phenomenon by winning the “battle for the living room”: 4th generation game consoles, home Blu-ray players, 3D monitors and computer peripherals.

Which distribution network for 3D?

The 3D market represents major opportunities for **satellite**, which was the pioneer network for HDTV.

Given the overwhelming bandwidth limitations, distribution of 3D over the **cable network** will only be possible through network adaptation, including the implementation of new technologies and the reallocation of frequencies.

IPTV: Could 3D be a way to recoup investments in fiber optics?

With the arrival of 3D, xDSL technologies will reach their limitations more quickly, and the fiber rollout will come in the nick of time.

3D on the open Internet?

Given the lack of image and display format standards, the interest in Internet distribution lies in the ability to deliver a stream along with the codecs for the (display) format of the program being distributed. Still, bandwidth requirements related to file size must be taken into account.

Cinema operators

The interest 3D represents for movie theater operators is threefold:

- It can bring in more revenue by increasing the price of movie tickets.
- It can recoup the massive investments made to digitize theaters.
- It can expand programming by offering live event-based content (concerts, sporting events, etc.), which have higher ticket prices than 2D or even 3D movies.

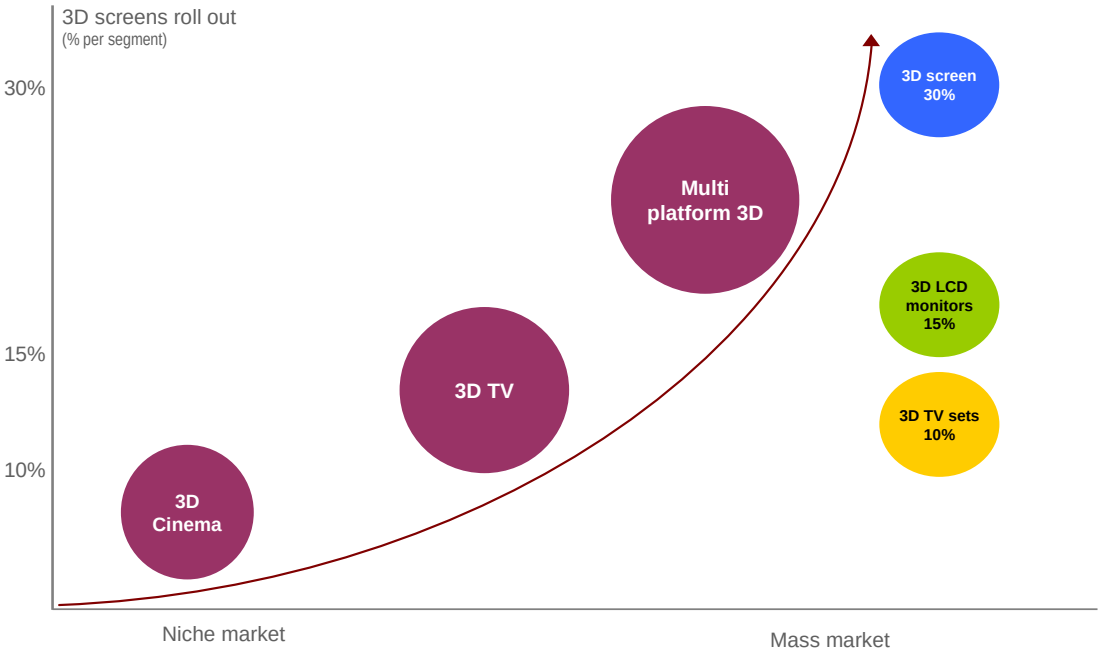
Yet, 3D does not guarantee return on investment (ROI) for operators:

- The higher 3D ticket price may deter a large number of spectators from attending 3D screenings.
- A stable commission model has yet to be devised on how to split the additional 3D fee between rights holders and theater operators. For the time being, negotiations are on a case-by-case basis.

7.6. Three development scenarios for 3D

- **3D Cinema**
  Centered around 3D screenings in movie theaters, this scenario allows for rapid development of the 3D offering, given that the technical chain is in place. Yet this 3D market remains limited to event-based consumption and smaller audiences.
- **3D TV**
  This scenario centers around TV usage—either through linear consumption (3D TV channels) or non-linear consumption (from Blu-ray to VOD). In order to reach a mass market in the long term, the industry will have to absorb the various generations of 3D: stereoscopic, autoscopic and multiscopic.
- **Multi-platform 3D**
  This scenario is the most favorable to developing a mass 3D market by 2015. The market is part of a virtuous circle, where the maximum exposure of 3D content encourages consumption, which is in turn made easier by the availability of a rich and varied offering of 3D content available on many different platforms.

Figure 21: Three development scenarios for 3D



Source: IDATE, according to "*Video 3D*" report, October 2009

8. Television 2020 – The Web Migration

Principal findings

All the conditions for the television industry's migration to the Internet are now in place:

- consumers are comfortable with online visual consumption;
- technical solutions that give users access to Internet content on their television sets have been implemented;
- open Internet access is possible from mobile telephones;
- premium content is available on the Web;
- online video quality of service is improving;
- new players from industries related to the television industry have aligned their strategies.

While this migration will be gradual, it will have a deep-seated impact on the industry:

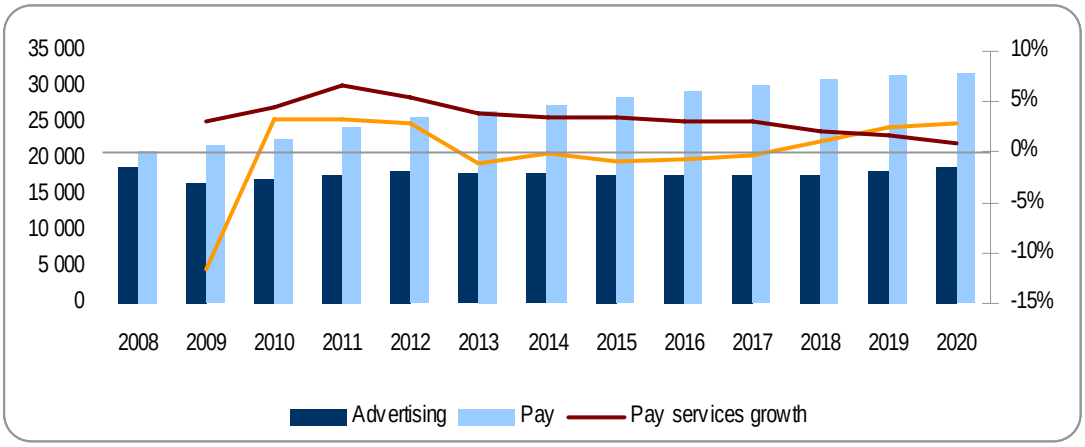
- the exclusive rights model will no longer be the standard;
- some consumers will abandon traditional managed networks;
- a globalization trend will be sparked, to the benefit of the major rights holders.

Unlike the music and print media industries, the TV industry is gaining a strong position on the Web. As a result, television is poised to play a central role in video services. This offensive strategy will likely pay off down the line, but does not entirely eliminate the possibility of destroying value. There are structural reasons for this, including a fiercely competitive online advertising market and a lack of control over program circulation.

Far from being simply transitory, the 2009-2010 economic downturn marks the beginning of a decade of restructuring for the TV industry. This new period will begin with an overall decline in the sector's resources before increasingly varied consumption patterns spur a new period of growth. The decade running from 2010 to 2020 will also be a period that focuses on cost control, with the industrialization of TV production that will depart once and for all from its historical model, i.e., film.

This migration to the Web poses a threat to the European industry in particular. A reassessment of the television industry's regulatory strategy appears both necessary and urgent, and will involve the creation of integrated pan-European conglomerates.

Figure 22: The total TV/video market in the EU big five, 2008-2020
(million EUR)



Source: IDATE, according to "*Television 2020*" report, July 2009

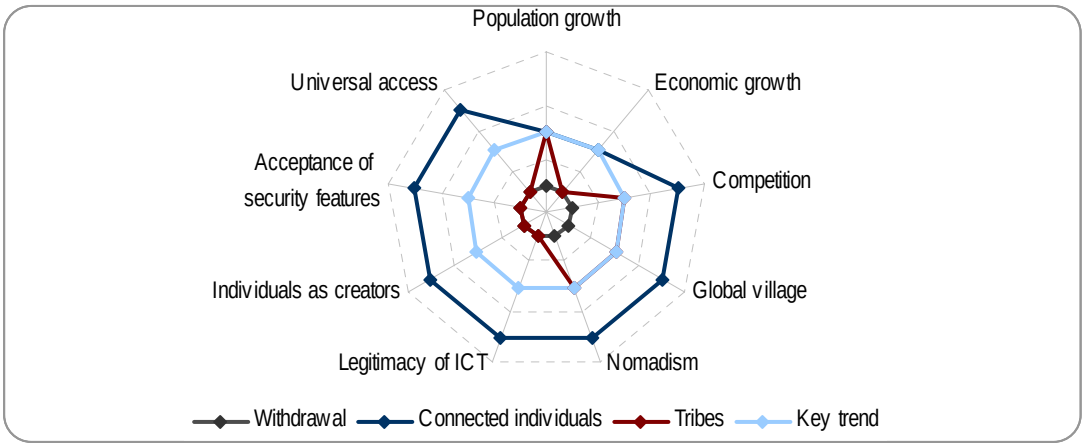
8.1. Key factors that will impact the television industry

8.1.1. The macro-economic context

IDATE has identified three macro-economic scenarios:

- the withdrawal scenario, which is characterized by an aging population, economic stagnation and consumer scepticism with regard to new technologies;
- the networking individuals scenario, which is characterized by nomadism, the interpenetration of personal and work time, universal network access and knowledge of citizens' identities and geographic locations;
- the tribe scenario, which is characterized by people clustering into communities, resistance to governmental control over the Web and increased importance given to private exchanges.

Figure 23: Comparison of the three macro-economic scenarios



Source: IDATE, according to "*Television 2020*" report, July 2009

8.1.2. Analysis of the key factors specific to the TV industry

IDATE has identified five major categories of key factors: usage, access, services, funding and player strategies.

1. Usage	The trend
1.1 Television's role in leisure time	Difficult to measure visual consumption overall. Consumers' inclination to pay for new television services is weak.
1.2 Time-shifted viewing	Time-shifted visual consumption is a strong trend because it falls within consumers' comfort zone.
1.3 Piracy and free content	Illegal content downloading is becoming more common and more professional. Sites where people can download user-posted content have identified a viable business model. Piracy is a trans-generational activity that has a long-term effect on consumers' inclination to pay.
1.4 Development of social networks	Social networks are becoming the primary Web destination. They are gradually incorporating video content into their service offering. Social networks' development depends on their ability to precisely identify Web users.
1.5 Consumers as content producers	The primary use of community-based video networks is not content creation, but content exchange. A new generation of semi-professional content creators is emerging.
2. Access	**The trend**
2.1 Managed networks and open networks	Emergence of "free rider" services, but IPTV and cable operators still have the advantage because they control their networks and can integrate broadcast and Internet services. Costly alternative solutions (CDNs) that must compete with operators' increasing control over the Internet backbone.
2.2 The digital household and terminals	Videos are consumed on every terminal in the home. The TV set's role as the hub for visual consumption is reinforced by new functionality and access to Web content. Yet it is a terminal that pulls together images from various sources, which could potentially undermine its primary strength: its simple, ergonomic design. With set-top boxes, ISPs control an essential technical component. The integration of access, services and devices proves how important it is for content providers to be referenced on devices in the digital household.
3. Services	**The trend**
3.1 Picture quality	HDTV is now gradually becoming widespread in developed markets. From a technological standpoint, 3D is available, but it is suffering from a lack of standardization. Video games are the primary vehicle for launching this service. But there is a shortage of 3D audiovisual programs, especially in TV programming. It will be a long time before the audiovisual supply chain integrates 3D.
3.2 On-demand services	Pay Video On Demand (VOD) competes directly with piracy, and growth in this service does not make up for dwindling DVD sales. Catch-up TV gives television channels greater influence over the timeline in which they exploit their audiovisual rights.
3.3. Enhanced TV	The ability to connect television sets to the Internet opens up new possibilities in the Web services access market. Internet access allows for the hybridization of entertainment services and community-based Web 2.0 services. At a minimum, adapting Internet content to the TV set requires a technical aggregator. Because they pull together various services, portals are going up against traditional aggregators to gain a market position.
3.4. Mobile television	A distinction must be made between the mobile video and nomadic video markets. Aside from long trips, mobile consumption is still limited by viewing time. The boom in connected nomadic devices benefits growth in personal video consumption.
3.5 Role of new online services	After text and photos, the Web is migrating toward video. Web services that provide premium content tend to be hosted on traditional broadcast networks. The other services (amateur content, catalog content) round out this premium offering. Social networks are no longer merely communication platforms, but are also becoming content exchange and distribution platforms.

4. Funding	The trend
4.1 Advertising market	Multichannel television (whether free or pay) expands advertisers' offering, causing a drop in rates. The leading channels maintain a premium, as do certain targeted channels. More than anything, online advertising is based on direct marketing. Only premium content generates significant additional revenue from television programming. For the other types of content, the business model is based on traffic. Media conglomerates are facing a choice: either integrate their traditional and online ad networks, or launch an autonomous Web strategy through which they attempt to represent the broadest array of Web services, including competing ones. Increased automation in ad placement poses a threat to middlemen in the value chain.
4.2 Pay TV	The development of free multichannel offerings strengthens premium channels' market position, based on exclusive content. Theme channels with no premium content are being threatened in the short-term. The services offered by catch-up TV tend to aggravate that threat. The value chain activity of distributing pay services is becoming more competitive now that telcos have entered the market.
4.3 Public funding	Public service broadcasters are seeing their ad levies drop. Their resources are also limited as a result of budgetary constraints. It is foreseeable that public broadcasters will restrict the scope of their activities by refocusing on public service missions.
5. Player strategies	**The trend**
5.1. Content providers	Unlike other segments of the content industry, the television industry boasts exclusive content with well-established brands. Thus the industry can adopt a "destination site" strategy when this content is totally new. On the other hand, using old programming requires a program circulation strategy. The rapid increase in the size of the Web audience and the drop in costs force most content providers to circulate content while also maintaining control over the associated advertising. Because integrating content on partner sites is a challenge, traditional syndication models are not very effective.
5.2. Telcos	Direct investment by telcos into content publishing remains limited and seems to be motivated by their desire to hold exclusive rights, which would reinforce their vertical integration strategy of moving into service distribution. The integration of traditional broadcast television into a broader video offering (combining channels, personal content, online videos) allows them to expand their role from basic Internet access management to digital household management.
5.3. Web players	The major Web players have not invested in publishing professional content. Strategies based on amateur content have run their course. Now their strategy is focused on professional content aggregation by partnering with the major media players.
5.4. Consumer electronics manufacturers	The integration of new features into consumer electronics allows manufacturers to offer new devices and encourage consumers to access the Internet. Some prioritize an approach based on the "digital household," while others focus on integrating content.
5.5. Regulators	Regulating the uneasy relationship between service and content providers on the one hand and network operators on the other becomes increasingly important as online video consumption becomes more common. In order to avoid the "free rider" strategies adopted by content providers, regulators (and anti-trust authorities) could opt to strengthen network operators' distribution role by granting them access to all audiovisual programming. For their part, content providers would gain access to all distribution platforms. But this goal clashes with rapid technological development, which creates new perpetual "walled gardens." In particular, network and content regulators will have no authority over device manufacturers' portals, which will make intervention from anti-trust authorities all the more pressing.

Source: IDATE, according to "*Television 2020*" report, July 2009

8.1.3. Three scenarios for 2020

IDATE has identified a benchmark scenario (“My Video Web”) and two alternate scenarios (“Broadcast as Usual” and “Community TV”).

Table 10: Overview of the three scenarios for 2020

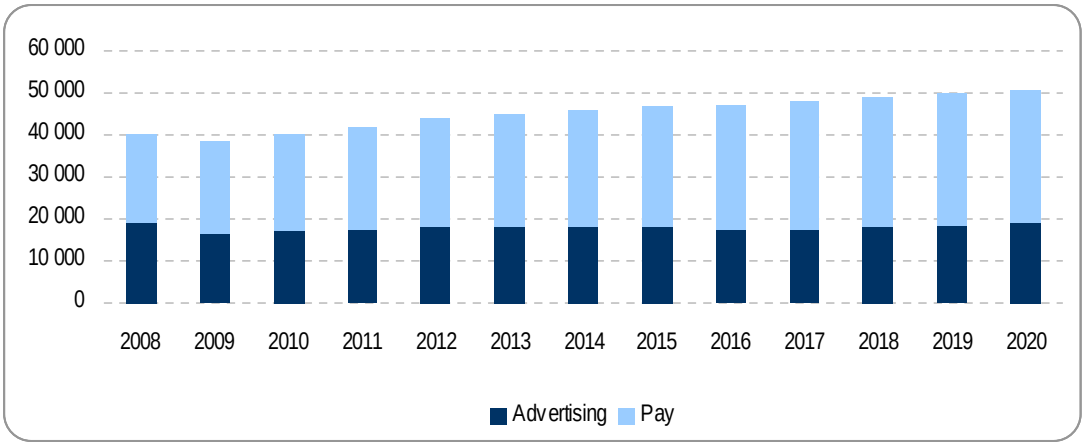
	My Video Web	Broadcast as Usual	Community TV
Usage	UGC, VOD and enhanced communication via social networks. Limited piracy	Linear TV and premium programs. Rampant piracy.	UGC, VOD and enhanced communication within closed communities. Widespread piracy.
Access	Internet-only households, not connected to managed networks. All content available online is accessible from personal multimedia devices.	Managed broadcast networks dominate. Growth of the digital household.	Terrestrial broadcasting plays a key role in social cohesion. Pivotal role of the computer, heterogeneity of the digital household.
Services	New social network content aggregators. Overlapping of communication/content. High level of innovation (rollout of 3D). Video is ubiquitous in urban areas.	Audience dominated by a few global broadcast channels. Convenience services. Low level of innovation (failure of 3D and mobile TV).	Audience split among different communities. Community-based, nomadic, on-demand TV channels.
Funding	Integration of advertising/direct marketing/e-commerce. Fewer non-premium pay channels. Marginalization of public service broadcasting.	Sluggish growth of the ad market. More pay channels. Gradual decrease of governmental funding in the public sector.	Location-based direct marketing. Drop in value of pay TV. Increase in governmental funding in the public sector.
Player strategies	Powerful producers, a few global channels with a renewed focus on current events. Telcos as enhanced connectivity providers. Web players as the primary content providers. 3D and new connected devices, growth engine for consumer electronics. Regulatory framework requiring open networks and non-exclusive distribution.	Consolidation of national channels, weakening of theme channels. Vertical integration of telcos/content providers. Web players absent from the content market. Network operators control consumer electronics. Regulation does not stand in the way of vertical integration of networks/content.	Large variety of Web TVs and associated services. Telcos provide enhanced access. Fragmented Web players as content providers. Integration strategies for devices and services related to consumer electronics. Local regulation predominates.

Source: IDATE, according to "*Television 2020*" report, July 2009

8.1.4. Figures for the benchmark scenario

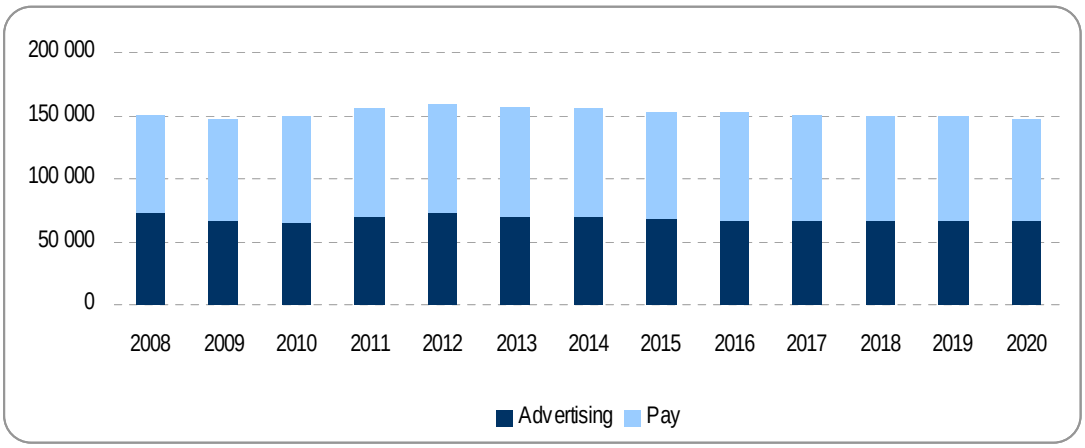
IDATE estimates that the average annual growth rate of the TV/video market over the 2008-2020 period will be 2% in Europe and close to 0% in the United States (in constant EUR).

Figure 24: Total TV/video market in the EU big five, 2008-2020
(million EUR)



Source: IDATE, according to "*Television 2020*" report, July 2009

Figure 25: Total TV/video market in the United States, 2008-2020
(million EUR)



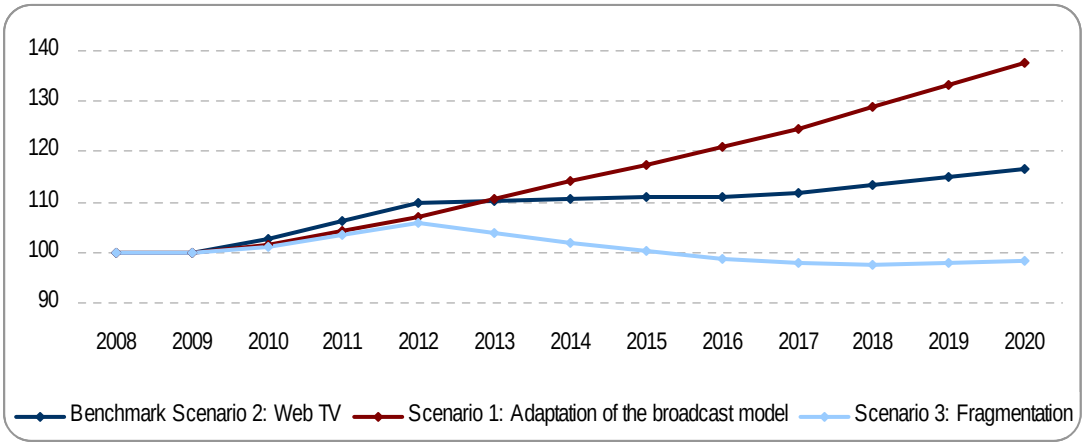
Source: IDATE, according to "*Television 2020*" report, July 2009

What impact will the other scenarios have?

- IDATE's Scenario 1 ("Broadcast as Usual") is less destructive in terms of value than our benchmark scenario. There is less competition from the Internet, television channels have consolidated and new VOD services are unable to compete with the catch-up TV services offered by pay television operators.
- Scenario 3 ("Community TV") is less favorable. Channels are unable to control, and thereby monetize, time-shifted television consumption via catch-up TV. Piracy is widespread and poses a significant threat to pay services.

Figure 26: Total TV/video market according to the three scenarios, 2008-2020

(Index 100 = 2008)



Source: IDATE, according to "*Television 2020*" report, July 2009

World Next Gen TV Market

Next Gen TV Watch Service - 2010

- Database
  - Key Figures for 43 players & 12 countries
  - Operator market shares
  - Innovations by technology, country & player
  - Forecasts up to 2014
- Monthly insights
- In-depth market reports
- Analyst access

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World Next Gen TV Market

At a time when the television sector is facing a profound restructuring, as players from formerly disparate sectors, such as telecommunications, cable and equipment manufacturing, converge on the market, IDATE has decided to perform an in-depth analysis of this new environment and notably of the new services being provided on the different media. What will the **Next Gen**eration of **T**ele**V**ision look like?

The "Next Gen TV Watch Service" is specifically designed to provide Media Groups, Operators, Government bodies and Regulators with a comprehensive and continuous analysis of the issues affecting the market. Naturally, the rate of progress will not be the same across the board, as each national market will be shaped by the country's intrinsic features and its players.

To provide a simple way to visualise this new and complex structure, for each country and player we include a diagram that illustrates the status of the various services on the different support media.

	Live TV	On demand	Over-the-top video	Interactive services
TV	●	●	●	●
Internet / PC	●	●	●	●
Mobile	●	●	●	
Connected Devices	●	●	●	

● Available ● Test ● Project

Next Gen TV Watch Service Calendar – 2010

		January	February	March	April	May	June	July	August	September	October	November	December
Database	Markets, Operators market shares, TV Innovations & Forecasts up to 2014						DB1					DB2	
Insights	Monthly		I-1	I-2	I-3	I-4	I-5	I-6		I-7	I-8	I-9	I-10
Reports	Social Video			R-1									
	TV Groups Diversification Strategies				R-2								
Complementary Reports	IPTV over FTTx	CR-1											
	Connected TV										CR-2		
Consulting Hours		5 hours - on demand											
Analyst Brief		30 min. Conference Call - on demand											
On-Site Presentation		Optional Report Presentation											

Methodology

- Primary research on 43 Next Gen TV market players
- In-depth analysis of technological issues based on one-on-one interviews with market players
- Penetration and revenue data for 12 countries : France, Germany, Italy, Japan, Netherlands, Poland, Portugal, South Korea, Spain, Sweden, United Kingdom, USA
- Innovations and market share data for 43 players, classified by country
- Market models & Forecasts by type of broadcast

2010 Next Gen TV Watch Service

- **Database + Insights + 2 Reports + Analyst Access: 10,000 EUR excl. VAT – (1 to 5-user license)**
- **Database + Insights + 4 Reports + Analyst Access: 14,000 EUR excl. VAT – (1 to 5-user license)**

For multiple/group licensing options, please contact: Isabel Jimenez – i.jimenez@IDATE.org +33 467 144 404

Database (Excel file)

A unique database devoted to Next Gen TV, including national market data and forecasts, along with a breakdown by technologies – drawing on our continuous tracking of convergence between traditional market players, telecom operators, service providers and equipment manufacturers.

Market data
- 2007-2008-2009 by country and player
- Overview sectors & main players
- Market shares (% of total audience)
- World table

Data & Forecasts up to 2014
- Pay TV Subscribers
  - Premium TV
  - Satellite TV
  - Cable TV
  - IPTV
  - Mobile TV
- TV reception modes
  - FTA vs. Pay TV
  - Digital
  - Terrestrial, Satellite, Cable, IPTV, Internet only
- Equipment
  - HDTV
  - 3D TV
  - Connected TV set
  - Laptop / Desktop PC
  - Smart Set-top-boxes
  - Connected home console
  - Handheld console
  - Mobile phones with video capacities
- Revenues
  - Public funding
  - Advertising revenues
  - Subscription TV revenues
  - PPV / VOD / Catch-up TV revenues (TV set & Internet)
  - Mobile TV & Video revenues

Innovating services by media supports:
TV – Internet – Mobile – Connected Devices

- HD
- 3D
- Catch-up
- VOD
- Live TV Channels
- PPV
- Interactive Services
- Over the top video content
- Widgets
- Social Networks
- Smart Set Top Box
- Specific Video programs developed for PC & mobile
- Other professional content (music, video, games, etc.)
- User generated content
- Interactive Services
- Remote record facility
- Personal storage capacities
- Blogs, forums
- Mobile as a remote control

Players

Broadcast
- ABC
- Antena 3
- ARD-ZDF
- BBC
- Canal+
- DishTV
- DirecTV
- Fox
- France Télévisions
- HBO
- ITV
- M6
- Mediaset
- NBC
- ProSiebenSat1AG
- RAI
- RTL
- RTVE
- Showtime
- Sky Deutschland
- Sky Digital
- Sky Italia
- Sogecable
- Telecinco
- TF1

Cable Operators
- Cablevision
- Charter Communications
- Comcast
- Kabel Deutschland
- Numericable
- ONO
- Time Warner Cable
- Unity Media
- Virgin Media

Telecom Operators
- ATT
- Deutsche Telekom
- Fastweb
- Free
- Orange
- SFR
- Telecom Italia
- Telefonica
- Verizon

Insights

Monthly insights on key Next Gen TV market issues: outstanding event of the month, analysis of the latest market trends, player interviews (broadcast industry, operators, service providers and equipment manufacturers), highlights from major conferences…

Market Reports (pdf, 50-100 pages)

• TV groups' diversification strategies

Alternative displays, such as computers, mobile handsets and connected devices are increasing their share of the broadcasting market. At the same time, users are adopting new viewing habits, starting with catch-up TV and over-the-top video being supplied by ISPs. How are broadcasters in the US and Europe expanding their quadruple screen strategies?

• Connected TV

The digital home, which is incorporating the latest innovations in devices and networks at an ever increasing pace, is now one of the main focal points for all industry players. This report examines the changing shape of this sector and the outlook for the connected devices market, which will be worth 149 billion EUR in 2013.

• Social Video

This report examines the contributions that social networking is making to video/TV services. Social networks are emerging as new channels for distributing and promoting content, while also delivering innovative community-centric solutions to both TV channels and online video services. An analysis of the main trends in social video serves to highlight how social networks have become powerful partners for both traditional and new audiovisual media industry players.

• IPTV over FTTx

The relationship between IPTV and FTTx is at the heart of this report which explores operators' key strategies through a detailed examination of their offerings. An analysis of existing technologies, combined with national market conditions, allows us to better understand the motives behind innovative solutions, and the respective issues inherent in the development of IPTV services and FTTx networks.

Analyst Access

- **Consulting Hours** - Direct access to IDATE's Media experts - 5 hours a year
- **Analyst Brief** - 30-minute conference call on a pre-selected Media topic
- **On-Site Presentation*** - Clients may choose a theme from among the 4 market reports supplied. Presentation given by an IDATE Analyst.

*optional - additional fees: preparation + presentation + travel costs

Our clients include

- BBC
- Bouygues
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- Cisco
- Deutsche Telekom
- EADS-Astrium
- Ericsson
- European Commission
- Eutelsat
- France Telecom
- France Télévisions
- French Government
- IBM
- Lagardère Active
- M6
- Mediaset
- OFCOM UK
- Orange
- Red.es
- SES-Astra
- SFR
- Swisscom
- TDF
- Telesat
- TF1
- Technicolor

IDATE's Next Gen TV Team

A **dedicated team** of consultants specialised in analysis of the Next Gen TV sector, devoted to meeting the needs of the broadcasting industry, operators, equipment manufacturers, service providers and content providers.

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Florence Le Borgne, Director of Studies, joined IDATE in July 1998. She is now head of TV & Digital Content Business Unit. Florence's prime area of focus is the development of digital technologies (terrestrial, cable, satellite and IPTV, mobile TV, digital cinema, video and TV on the web) dealing with both the economic and strategic aspects of those sectors. More generally, her work involves analysis of media groups' strategies, chiefly in Europe and Japan. Before coming to IDATE, Florence Le Borgne worked as the Head of Research in the Nord-Pas-de-Calais Regional Development Agency's Economic Observation department, where she devoted herself primarily to issues relating to the Information Society, the development of telework and the mastery of key technologies. Florence Le Borgne is a graduate of the Lille school of management EDHEC (Ecole des Hautes Etudes Commerciales).

Marjorie BATTIER
Operators Strategies

Sophie GIRIEUD
Innovative Video Services

Marc LEIBA
Digital Content & Media Players Strategies

Laurent MICHAUD
Head of Consumer Electronics Practice

About IDATE

Founded in 1977, IDATE is one of Europe's foremost market analysis and consulting firms, whose mission is to provide assistance in strategic decision-making for its clients in the **Telecom, Internet and Media industries.**

Consulting – IDATE has established its credibility and independence in conducting consultancy and study assignments on behalf of its clients:

- **Market studies:** techno-economic monitoring, modelling and forecasts, sector-specific analyses, qualitative/quantitative surveys
- **International Benchmarking:** market positioning, convergence strategies, innovation follow-up
- **Public policies:** public policy definition and assessment, project management, regulatory analyses

Research – IDATE'S clients benefit from the knowledge and expertise of its teams of specialists, and from its ongoing investment in its information and strategic monitoring system – along with access to a singular array of **market reports, data, analyses and support services.**

DigiWorld – IDATE is also instrumental in providing a forum for international debate between the industry's key players through its annual DigiWorld programme, supported by its members representing the sector's most prominent companies: **DigiWorld Network** (a series of monthly meetings in European capitals and international business trips), **DigiWorld Events** (the DigiWorld Summit annual conference and a series of associated seminars devoted to the year's central issues), **DigiWorld Publishing** (the DigiWorld Yearbook and the DigiWorld Economic Journal (Communications & Strategies)

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