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Communiqué

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About Analysys Mason

“The world is experiencing a raft of innovations within the media space. Connected TVs, 3DTV and the iPad each offer in their own way a step change in consumer experience. We consider how these and other innovations might impact both telecoms and media players as they look to defend existing business models and capitalise on opportunities arising.” Mike Grant, Partner

The future of TV – will Internet-connected TV learn from mobile?

This year's Consumer Electronics Show in Las Vegas highlighted the recent increase in innovation within the TV industry. While certain individual developments such as HDTV video calling, video previews on your remote control, and 'Wii-like' control of the on-screen mouse via the remote control all piqued interest, a plethora of high-quality Internet-connected TV and 3DTV products captured significant attention. These products illustrated how significantly a consumer's TV experience could change over the coming years (also see 'Is 3DTV ready?' on page 8).

Like most previous TV innovations, 3DTV is a combination of device features and service distribution upgrades that drive incremental revenue for both manufacturers and platform operators. Internet-connected TV, however, is perceived by some as offering manufacturers a lot but platform operators relatively little. Feature differentiation is still seen as a key source of competitive advantage amongst device manufacturers: adding YouTube offers device manufacturers the potential to increase the retail

price of the device by around USD100.

Investment by manufacturers in proprietary TV software platforms that support applications (such as Samsung's 'TV apps store' announced at the show) will surely be a feature consumers are willing to pay for. This in turn will provide manufacturers and application developers with new sources of revenue, in the same way the mobile industry has benefited from widget-based applications.

History, however, suggests that the industry faces some significant challenges in creating a vibrant Internet-connected TV application ecosystem. As widget frameworks evolve and proliferate, with each manufacturer championing its own products, there is a dramatic increase in the number of platform variants that service providers will need to support. For example, the BBC is already supporting 23 different device variants of its iPlayer in the UK market alone. As the number of platform variants rises, so costs of production increase proportionately, taking investment away from the content consumers really want.



Written by Mike Grant
Partner
Consulting Division

Content producers have been here before: an identical situation developed in the mobile phone industry over the last ten years. Literally thousands of mobile handset models were created by top handset manufacturers, each with different feature sets and software frameworks. Producers and application creators were required to build different versions of their content for each individual model, and in many cases different firmware versions of the same model. Couple this with complex systems needed to identify the device software version and deliver the right application file, and the costs of creation and distribution increased dramatically. Many organisations were spending over 50% of their costs creating and managing variants rather than on the content itself.

Two years ago, Apple transformed the mobile industry as it stepped into this market with the iPhone/iTouch selling over 60 million devices worldwide as at January 2010. These devices all operate on a single unified software platform, enabling content creators to focus solely on content. As a result, major content producers

such as ES, Gameloft, and Glu have focused efforts on these devices, delivering fewer games to the fragmented mobile market. It simply makes greater economic sense.

Given this precedent, we foresee three possible outcomes for the TV industry:

- One or more manufacturers delivers a compelling, unified, vertically integrated Internet-connected TV that does for TV consumers what the iPhone has done for mobile users. To do so, that manufacturer will need to secure rights to core content that will deliver sufficient sales volume to underpin the ecosystem, create a stable, managed software platform on which developers can create new applications economically, and invest significantly in service marketing to raise consumer awareness.
- TV broadcasters (with content rights) and platform operators (with device innovation) may combine to deliver an effective platform, e.g. projects such as Project Canvas. In this scenario, it is the broadcasters and platform operators that will take the lead to deliver the above ecosystem characteristics.
- A third and highly plausible scenario is fragmentation and incompatibility in TV software application platforms. This in turn will

lead to limited scale, high costs of application development and consumer confusion, leading to low revenues for content producers and service providers alike.

The mobile industry has been here before and both application developers and consumers have suffered as a result. Will TV and set top box manufacturers learn the lessons of the Apple iPhone and develop strategies to deliver this vision? Will key players in each market grasp the opportunity for innovative content creation broadband-connected TVs present? Or will device fragmentation prevail driving up costs and stifling innovation? Those are key questions that will define this first era of connected TV.

Analysys Mason works with players across the value chain in identifying appropriate strategies and implementing optimal solutions to maximise value in the future TV market. Our experience of working in mobile, PC and TV content creation, aggregation, and distribution has enabled our clients to realise maximum value from consumers in design and delivery of next generation content propositions and maximise returns to shareholders.

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Mobile broadband has led to deregulation in the Austrian broadband market



Written by Elia Mariani
Lead Consultant
Consulting Division

The Austrian telecoms regulator RTR recently reviewed and partially deregulated the broadband access market using a market definition described by the European Commission as a “far-reaching move”.

At the retail level, RTR considered that residential and business broadband access should be considered as separate markets. More importantly, in the residential retail broadband access market, RTR not only included DSL connections (in line with most EU regulators), but also mobile broadband (MBB) and cable TV (CATV) connections.

Following from this market definition, RTR carried out a “three-criteria” test (i.e. the test that represents the necessary prerequisite for ex-ante regulation), and concluded that the test was not passed; hence retail broadband access markets were not susceptible to ex-ante regulation. The reason for this was an observed trend towards effective competition, due to infrastructure-based competitive pressure exercised by mobile network operators. Therefore, when moving to the analysis of the wholesale broadband access market, RTR’s starting point was the assumption that wholesale regulation would not be needed on the wholesale broadband access market for residential customers.

At first the Commission raised serious doubts about this market definition. However, RTR

presented convincing evidence during additional data submissions and conference calls in October and November 2009, and in December 2009, on the basis of circumstances closely related to the specificity of the Austrian market, the Commission accepted the inclusion of mobile and broadband connections in the retail residential market. The specific circumstances included:

- mobile broadband was used by around 35% of residential customers in March 2009, compared to DSL at 40% and CATV at 22%. Furthermore, the share of mobile broadband connections increased strongly between 2007 and 2009, accounting for approximately 70% of new broadband lines in the first three months of 2009
- the four mobile HSDPA networks in Austria

already covered between 70% and 94% of the population

- a price analysis based on price regressions showed that prices of fixed and mobile broadband connections were moving closer together and that fixed broadband providers directly react to price reductions introduced by mobile broadband operators
- 75% of residential mobile broadband customers used their connection mainly on a stand-alone basis, rather than coupled with a

fixed connection. RTR also noted that most mobile broadband connections are used at a fixed location (e.g. at the customer's home).

For the moment, the features of the Austrian mobile broadband market still appear as an exception in the EU broadband landscape – our benchmarks indicate that mobile broadband connections as a proportion of total broadband lines is much higher in Austria than elsewhere – and as the Commission itself stated, “fixed and mobile retail broadband services are normally

not belonging to the same market”.

Nevertheless, future developments in the mobile and fixed broadband markets will highlight whether the Austrian case will remain an exception, or whether high speeds and widespread take-up of mobile broadband could lead to progressive deregulation on the fixed broadband side.

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Fundamentals of successful renewable energy investments



Written by David Eurin
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The power sector needs to focus public and private investments on appropriate technologies to achieve long-term goals of security of supply, climate mitigation (i.e. reduced environmental impact) and affordability. It is now widely accepted that the mix of fuels and technologies used to generate electricity will have to change dramatically. A long-term vision of the generation and delivery of electricity must carefully balance these goals.

Historically, for most countries the sources of energy – mainly fossil fuels – have been imported. Countries lacking significant indigenous sources of fuel, such as nations in Europe, have struggled to ensure the ongoing security of supply of essential fuels. Additional oil and gas pipelines, shipping terminals for liquid natural gas, and long-term fuel import contracts are at the heart of their strategies. Meanwhile, national transmission operators and distribution network operators have worked on the resilience of electricity supply to end users.

Nowadays, the volatility of fuel prices and the increasingly urgent attention given to climate-change issues are altering the rules of the game, prompting two major developments. Firstly, governments are laying down national plans to promote the generation of electricity from alternative, renewable and indigenous

sources (e.g. sunshine, wind, biomass), sometimes complemented with nuclear plants. Secondly, recognising the economic potential of new energy systems, countries have entered a race to establish strong research and development and manufacturing industries to answer the demand for these systems.

Regulation and policies therefore have a crucial role to play in reshaping the energy industry, most obviously in the form of high subsidies that are offered to attract investments. These subsidies are being used to send immediate price signals to the industry in the form of incentives (e.g. feed-in tariffs). However such policies are not always structured so as to create the required long-term visibility of how these incentives and the wider market will evolve.

In some cases, policies are designed to support a wide array of technologies, but in doing so fail to take into consideration the specific, indigenous resources that are available in particular regions. The capacity and efficiency of renewable energy systems are especially dependent on the local energy density (e.g. sunshine, wind speed), and it is often only economical in the long term to generate energy where system efficiency is the highest. There is a danger, therefore, that indiscriminate policies may lead to inappropriate choices – solar plants in more northerly latitudes (e.g. north of the French city of Bordeaux) or wind farms in relatively calm areas – simply on the basis of a short-lived investment opportunity supported

by government subsidies. Meanwhile, governments should look at building up an energy generation mix, but without supporting low-potential technologies.

It is a characteristic of an open market that, theoretically, energy will be generated from the most economically efficient sources. Taking Europe as an example, it is possible that most of its solar energy could be best harvested around the Mediterranean Sea, wind and marine energy in north-western regions and biomass where waste is produced (dense population areas, forests). As electricity transmission costs are (and will remain) a function of distance between the energy source and the end customer, there is a balance to be found. Investors should therefore be looking at opportunities that combine technology and market fundamentals, rather than short-term subsidies. Meanwhile policy makers should ensure that subsidies support the best long-term options to achieve energy affordability and security of supply.

Analysys Mason's energy strategy consultants work with public- and private-sector clients worldwide on key issues related to energy strategy and climate change. Our company was at the forefront of the transformation of the telecoms sector and is now helping the energy sector to undergo a similar, but faster, radical shift.

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WiMAX operators can halve costs using advanced beamforming systems



Written by Franck Chevalier
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In today's environment of ever increasing requirements for operators to provide cost-effective and commercially viable broadband services, WiMAX has become a technology of choice.

Only a few WiMAX vendors have been offering beamforming-enabled equipment, with solutions based on 4- and 8-antenna array systems. Such solutions provide vast improvement in terms of coverage and capacity compared to previous generations of WiMAX equipment.

In this article we explore which WiMAX solutions are the most commercially attractive to telecoms operators, by quantifying the total cost of ownership (TCO) associated with beamforming-capable WiMAX systems compared with those solutions that are not capable of supporting this technology.

Analysys Mason has developed a total cost of ownership (TCO) model which proves that, over a five-year period, operators in developed and developing countries could approximately halve their TCO if they choose to deploy 8-antenna beamforming systems instead of the more traditional 2-antenna systems with no beamforming capabilities.

An 8-antenna beamforming system offers significantly greater coverage (225%) and capacity (47%) than 2-antenna non-beamforming systems. The combination of greater coverage and capacity typically results in the former requiring 69% fewer sites. The more capable 8-antenna beamforming radios are, however, more expensive than their 2-antenna non-beamforming radio counterparts.

However, operational expenditure (opex) is the dominating cost item over a five-year period (accounting for 60–70% of the total costs associated with each site). Consequently, the reduction in site count for the 8-antenna systems completely overwhelms the higher costs of the radios, resulting in a roughly 63% TCO reduction for the access network over the five-year period.

Figure 1 above illustrates the relative access network TCO for the developed country case study (it does not include any other part of the network).

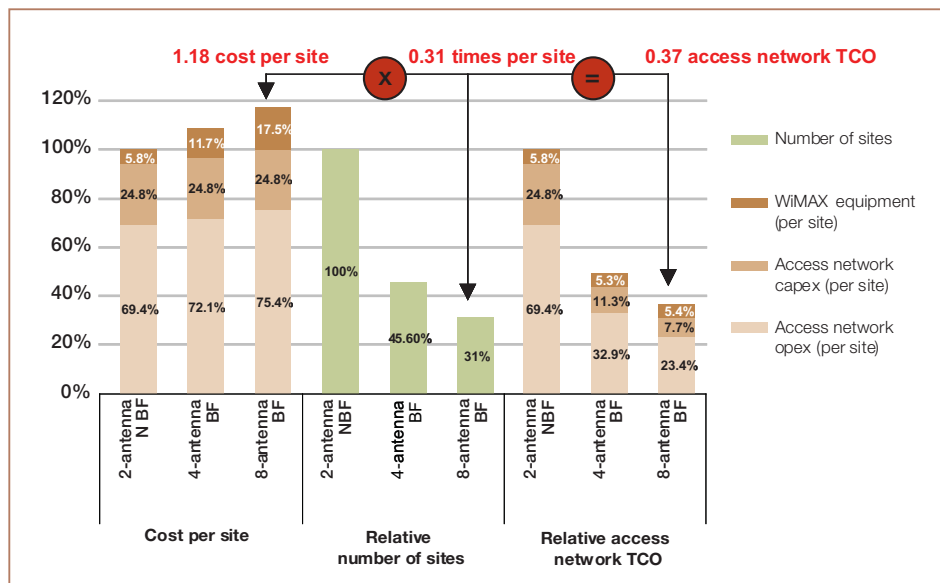


Figure 1: Relative access network TCO for 2-, 4- and 8-antenna systems for developed countries [Source: Analysys Mason]

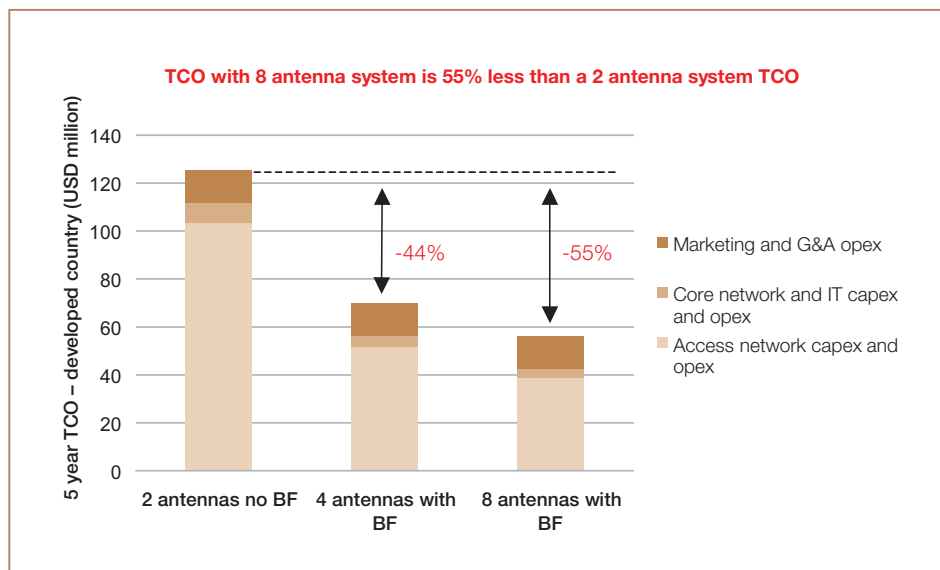


Figure 2: Total five-year TCO for the developed country case study [Source: Analysys Mason]

The overall network TCO is obtained by adding other capex and opex components (such as core network capex and opex, sales and marketing, general and administrative (G&A) costs). The total five-year TCO for operating an 8-antenna WiMAX system with beamforming capabilities is 55% less than operating a 2-antenna non-beamforming system, as shown in Figure 2.

There are additional benefits associated with 8-antenna beamforming systems:

- overall, they are more reliable with fewer dropped transmissions at the boundaries between cells, offering the marketing advantage of better, more reliable service

- moreover, 8-antenna systems require the deployment of fewer sites, thus giving operators more flexibility when building out their network in any area where zoning or environmental regulations make sites scarce or resources hard to secure
- in addition to the cost advantages, the use of fewer sites facilitate a faster network roll-out, advancing revenues and shortening of the return-on-investment period.

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Secure connectivity for the public sector – why wait for the PSN?



Written by Paul Kennedy
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The Cabinet Office's ambitious Public Sector Network (PSN) programme aims to revolutionise the way in which the public sector accesses ICT services, and in secure connectivity across government. The ability to share data securely is critical to the operation of government and has genuinely transformed its operation over the last 20 years. The PSN would represent a further improvement, but rather than waiting, should the public sector be doing more to exploit existing networks?

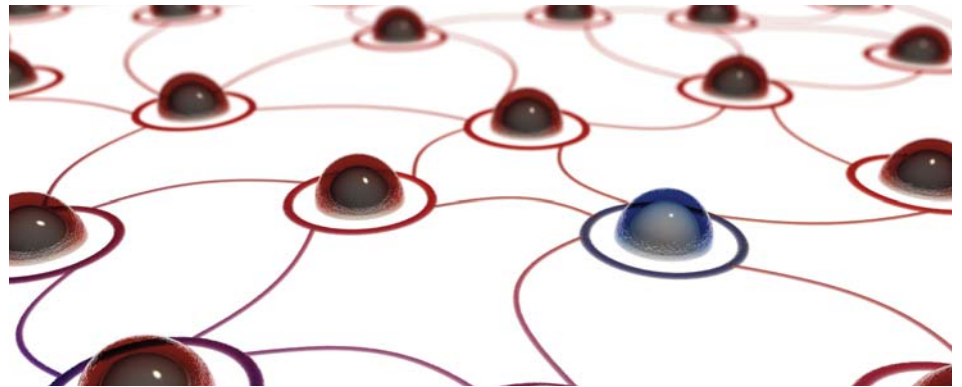
The established and most significant pan-Government secure networks comprise:

- the **Government Secure Intranet (GSI)**, which principally connects government departments and other central government functions, and is currently used mainly for secure email
- **GovConnect**, an offshoot of the GSI, which principally connects local authorities
- the **Criminal Justice Extranet (CJX)**, used primarily by police and criminal justice agencies, providing access to sensitive information in databases such as the Police National Computer.

These three services are *interconnected* IP-VPNs.¹ Viewing this comprehensive (and expensive) landscape as a *single* virtual network, therefore, immediately indicates significant untapped potential for users requiring secure connections.

Sustained pressure on public-sector bodies to simultaneously cut costs and improve performance will continue to mount (regardless of the outcome of the forthcoming election), while the obligation to ensure data is securely handled at all times is under fierce scrutiny. So rather than focusing on a future PSN, public-sector organisations should be making the most of existing opportunities. For example, the PNN3 framework (supported by Analysys Mason) was designed to allow a wider range of organisations to take advantage of secure connectivity.

But surprisingly, a number of major government organisations – for example, some well known and large non-departmental public bodies – are not connected to any of these



networks. By definition this precludes any electronic sharing of sensitive material with other agencies. There is also enormous scope for appropriate smaller public, third and private-sector organisations to be included. For example, the Secure Communities Network (SCN) allows connection to the CJX, but with limited access and with less stringent requirements on these organisations' ICT standards. To date this has allowed telephony operators, for example, to share information with policing agencies quickly and efficiently – there is no reason why this cannot be extended to all appropriate suppliers and organisations, for example, outsourced private security providers or charities dealing with sensitive information.

There are also services already available on the three networks which are, by any analysis, underused. For example, they now support videoconferencing with – crucially for video – effective quality of service. The potential cost and environmental benefits of reducing physical meetings within single organisations is very significant, before even considering the positive impact pan-Government.

Why are we missing opportunities – and what about the future?

There are understandable inhibitors at work, including a lack of awareness of the services available, competing priorities within autonomous organisations, lack of central mandatory power, and – most significantly – concerns over investment balanced against perceived benefit. Successful take-up typically results from:

- **effective and maintained marketing by the Government** – this supports the network providers' own sales efforts, which may wax and wane

- **appropriate central support** – one of the reasons for GovConnect's rapid success is a deliberate policy that alternative methods of data transmission would not be accepted after 2009
- **central funding where compelling benefits accrue** – this is often the result of political will – the prioritisation of the Safer Streets initiative, for example, drove the success of the VIPER video identification system.

The next generation of secure connectivity is already in progress – re-procurement of the GSI has begun and strategies are active in respect of PSN at the Cabinet Office, and CJX at the National Policing Improvement Agency. To avoid missed opportunities in future, those procuring new networks should establish how to generate awareness, gain government backing, and aim to secure central funding. The strategy should be driven both by an authoritative collaborative view of secure connectivity across the public sector, and by the expected value that it can provide in the delivery of public services – and therefore the Government's objectives.

Analysys Mason has renowned track record of successfully supporting organisations in making the most of shared public-sector connectivity, including advising on interconnection to networks such as JANET:UK and the CJX, and supporting the development of PNN3 and the PSN. We can help clients with every aspect of secure connectivity from strategy development to implementation, assurance and optimisation.

¹ IP-enabled virtual private networks – in effect, secure extensions to physical corporate networks

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Could Africa gain a digital dividend without the costs of a digital switchover?



Written by Olivier Pascal
Lead Consultant
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“African countries do not necessarily need to switch from analogue to digital TV in order to gain a digital dividend”

17 June 2015 may not be a date you have circled in your diary, but Haruna Iddrisu, Minister of Communications in Ghana, has. It is the deadline for ensuring that analogue TV broadcasting is turned off in Ghana to meet the target that was set by the World Radio Conference in 2007.

On 13 January 2010, when inaugurating the National Digital Broadcasting Migration Technical Committee, Iddrisu explained that the digital switchover would advance existing technologies and free up valuable spectrum below 900MHz (generally known as the digital dividend) which could be allocated to other uses and potentially connect the underserved, particularly in remote communities.

However, it is not certain that undertaking a digital switchover should be a priority for Africa. To date, very few African countries have launched or even plan to launch digital terrestrial TV platforms, principally because there is limited consumer demand. This is firstly because many consumers have little disposable income and prefer to buy other ICT services such as telephony; and secondly because it is often possible to access multi-channel digital TV over other platforms, such as satellite or microwave multipoint distribution systems.

Instead a priority may be better access to broadband services, generating both political and economic benefits. Indeed it has already been largely demonstrated, by the World Bank for instance, that access to broadband is a catalyst for economic growth, education and greater political stability. Given the substantial landmass and the high rural population in many African countries, as well as the often poor fixed broadband network coverage, it makes sense for many African countries to use any excess spectrum for the deployment of mobile broadband networks. Spectrum below 900MHz is very well suited for such networks as the favourable propagation characteristics of these frequencies reduce the cost of wireless broadband roll-out by limiting the number of base stations needed, making it affordable for more people.

This potential demand for spectrum raises the question of whether it is therefore possible to generate a digital dividend below 900MHz without the cost and effort of conducting a digital switchover?

Technically, the answer is yes. It is possible to clear a proportion of TV spectrum without (or before) switching to digital TV. In order to do this analogue TV frequencies would obviously need to be renegotiated and retuned, and possibly some programming channels would experience a drop in coverage. However, the cost of doing this is likely to be much smaller than the cost of completing a digital switchover.

However, it is important that African governments coordinate the analogue TV

spectrum they free up and that it is consistent with other major international markets, notably either Europe (790–862MHz) or the USA (698–806MHz). This is essential to ensuring that Africa benefits from the economies of scale relating to equipment. Such economies of scale would mean relatively cheap handsets and cheap mobile high-speed Internet services, due to less investment needed from operators. It is therefore critical for Africa to harmonise as much as possible with other major markets in order to take advantage of the economies of scale already being generated.

It seems that African policymakers are already conscious of such challenges. For instance, in the last Next Generation Wireless Technologies Conference For Southern Africa in April 2009 that took place in Zambia, the Communications Regulators' Association of Southern Africa (CRASA) concluded that “various stakeholders which includes the ICT regulators and industry players must develop a mutual understanding of the regulatory issues that could impede innovativeness and deployment of the next generation wireless technologies”.

The benefits of a harmonised approach to spectrum have been quantified in a recent report for the European Commission by Analysys Mason and its consortium partners Hogan & Hartson and DotEcon. We highlighted that if a market the size of Europe was to conform to one band plan for the digital dividend, the bill of materials for the radio frequency components would be USD0.80 per device. If there were three different band plans, this would rise to USD3.80. Therefore, a harmonised band plan is very desirable.

There is a strong need for international coordination between national and international African operators and public entities in order to benefit Africa. Analysys Mason has extensive experience of assisting clients across the world in spectrum management and is ideally placed to support the international community and African regulatory authorities, governments, regulators, operators or investors in spectrum strategy and policy issues.

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Unified communications needs more than just technology



Written by Peter Scott
Consultant
Consulting Division

“Organisations can waste significant investments by deploying unified communications systems that are technically perfect, but are ultimately ineffective without the right approach to business processes.”

Unified communications (UC) can be truly transformational for many organisations, but the return on investment does not come from simply deploying the technology – it fundamentally depends on how it is used. In most cases, gaining the benefits of UC requires a fresh approach to where telecommunications fits within the organisation’s business processes.

Unified communications is the integration of an organisation’s disparate communications systems into a single, cohesive system. Most UC systems typically include: instant messaging, fixed and mobile telephony, email, voicemail, presence, video and audio conferencing. More sophisticated UC implementations can also include application integration, such that these communications services are directly embedded into an organisation’s software. The range of communications services used in a UC system is flexible, and will vary by system vendor and the organisation’s budget.

Before considering the technology options for a UC system, it is important to understand the

organisation’s starting point – not simply in terms of existing enterprise communications, but also in terms of the culture, roles and processes of the organisation.

In any industry, from manufacturing to professional services, there are roles that require a high degree of communication and collaborative working, and these must be prioritised when creating a strategy for UC. It is also crucial to assess the innate technology acceptance, and how ‘UC ready’ the existing work practices are of the personnel fulfilling these roles. ‘UC ready’ business processes are those that already involve significant collaboration and communication, but currently require the individuals to manage the multitude of contacts, documents and communication platforms used in the process. In such instances, UC can quickly deliver benefits by simplifying and integrating communications channels.

These two factors will determine where the organisation is positioned in terms of the following four categories (see Figure 3):

- Old World: Low technology acceptance, business process not UC ready
- Organic Growth: High technology acceptance, business process not UC ready
- High Potential: Low technology acceptance, business process UC ready
- Ideal World: High technology acceptance, business process UC ready.

Once the current position of the organisation is defined, a comprehensive UC strategy should

be developed to move the organisation to the Ideal World category, where processes and users are best positioned to use UC to drive productivity. As Figure 3 illustrates, technology acceptance can be improved through training, pilot studies, internal marketing, or through recruitment policy. Business processes can be analysed and re-engineered to maximise the benefits from UC. A holistic, tailored approach to UC is the best way of addressing the particular needs and nuances of the organisation. Without such an approach, the organisation may end up deploying technically perfect but ultimately ineffective UC systems, and waste significant investments.

The deployment of UC technology within an organisation should be aligned with the pace and extent of cultural and process changes – the technology solution should be selected to provide the right level of functionality to the right people on a phased basis, and the technology roadmap must match the broader changes of the organisation.

Organisations already in the Ideal World category, or those with a clearly defined plan on reaching that position, can focus more exclusively on the technology that will deliver the best functionality for their needs. Selecting the right blend of software, hardware and suppliers is a complex task in itself, and poor system selection will undermine the productivity of an organisation. Nevertheless, even if the best technology is selected, it will not provide any benefit without the people and processes to effectively use it.

Analysys Mason provides independent expert advice at every stage of UC deployment:

- Strategic planning
- Business process improvement
- System specification
- Procurement
- Project management.

Whatever position our client is starting from, we can help to maximise the benefits that UC can bring to their organisation.

For more information, please contact Peter Scott, Consultant, at peter.scott@analysismason.com

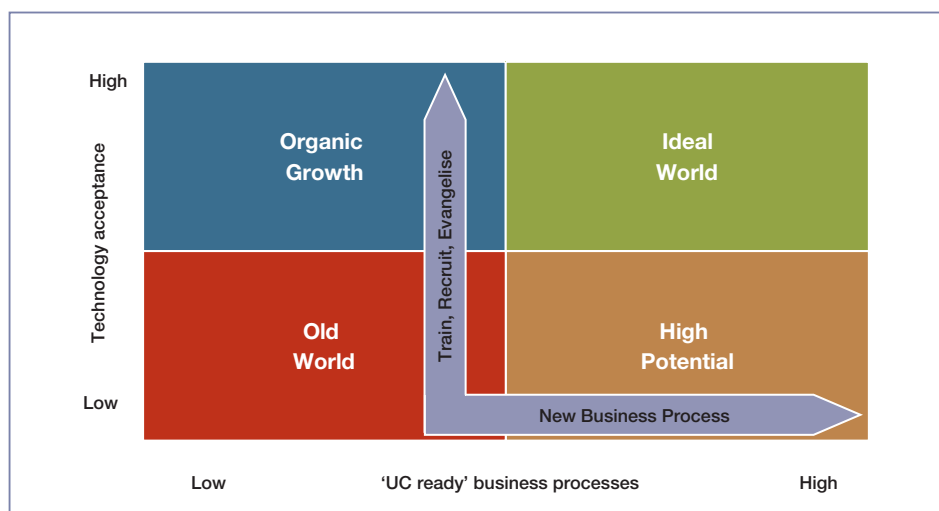


Figure 3: Moving away from the Old World business environment [Source: Analysys Mason]

Is 3DTV ready?



Written by Jed Wang
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Consulting Division

The release of James Cameron's *Avatar* is considered a watershed event that has introduced the world to the potential of 3D movies. Beyond the cinema, technological progress and the development of new displays and content are bringing 3D video to the TV screen – so the critical question is “What will be needed for 3DTV to succeed as a mass market proposition?”

From a technical perspective, TVs have not previously been built to the necessary specifications for 3D viewing. Only recent advances in technology (such as faster refresh rates or more vivid colours in high-definition (HD) televisions) have made accessing 3DTV in the home possible. From a consumer perspective, wearing flimsy 3D glasses, particularly for extended periods of time, has put consumers off 3D viewing.

At the recent Consumer Electronics Show in Las Vegas, Intel displayed a glasses-free 3DTV concept; however, the current generation of 3DTVs still requires glasses for viewing. Two options are currently available: circular polarised glasses or active LCD shutter glasses. Circular polarised glasses are used in cinemas, but are not best-suited to home use due to the high price of the special screens and projectors required. Most TV manufacturers, including Sony, Samsung, Panasonic and Mitsubishi, have therefore focused on active LCD shutter glasses due to the lower cost to the consumer. This technology also offers sharper contrast and brighter screen colours than circular polarised glasses, and a wider viewing angle.

Aside from consumer reluctance to wear glasses, significant barriers still need to be

overcome before 3DTV becomes a mass market proposition. Competing formats and technologies mean consumers may be unwilling to invest in a 3DTV until they know which will become the prevailing standard. Judging by the battle between Blu-ray and HD-DVD, this could take several years.

The impact of this uncertainty over format may also be exacerbated by many consumers having only recently purchased HDTV-capable sets. They may therefore be reluctant to write-off that investment so soon and commit to another significant device purchase. In order to make 3DTV attractive to consumers, device manufacturers will need to provide incentives for current HDTV owners to upgrade to 3DTV or purchase converter packages.

The anticipated slow take-up of 3DTV is preceded by that of HDTV device ownership in the USA: although the first HDTV content was broadcast in the late 1990s¹, research firm SNL Kagan estimates that by 2005 HDTV penetration in US households was only 16%. Satellite and cable TV providers then began to offer an improved stream of HD content, such as Verizon FiOS's TV service, increasing the number of HD channels offered in 2008 from 50 to 150.² By the end of 2009 an estimated 71% of US households owned an HDTV set.³

In the same vein, media industry players worldwide continue to be very active in promoting and developing 3D propositions, with Discovery, ESPN and DirecTV expected to launch 3D channels in 2010. DirecTV has also partnered with Panasonic, CBS, NBC and other content providers to provide three dedicated 3D channels for all US DirecTV subscribers for free, and in the UK, Sky has announced the forthcoming launch of a 3DTV channel that focuses on sports, the English Premier League in particular. 3D

gaming on next-generation systems, such as PlayStation 3, may help promote 3DTV. High-profile movies and sports events (such as the NFL Super Bowl, major football and rugby fixtures and PGA golf) already being broadcast in 3D may also help to increase awareness of the format and interest in it.

The outlook for 3DTV therefore looks promising but players should proceed cautiously. Whilst there will always be interest in the early adoption of new TV technologies, the mass market will adopt them only when considerable content is available and prices come down. Many consumers will be content to wait – potentially several years – for both technology and content to mature.

It is therefore essential that media players, such as content distributors and providers, and device manufacturers, learn from the development trends of previous TV generations and develop strategies accordingly. Rapidly producing desirable 3D content and increasing consumer awareness will be critical to these plans.

Analysys Mason works with players across the value chain in identifying appropriate strategies and implementing optimal solutions to maximise value in the future TV market. Our experience of working in mobile, PC and TV content creation, aggregation, and distribution has enabled our clients to realise maximum value from consumers in design and delivery of next generation content propositions and maximise returns to shareholders.

¹ <http://www.allbusiness.com/electronics/consumer-household-electronics-high/7691754-1.html>

² <http://newscenter.verizon.com/press-releases/verizon/2007/verizon-plans-fivefold.html>

³ http://www.snl.com/SNL-Financial/Press_Releases/20090929.aspx

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About Analysys Mason

Analysys Mason is the world's premier adviser in telecoms, IT and media. Through our global presence, we deliver strategy advice, operations support and market intelligence to leading commercial and public-sector organisations in over 80 countries.

For more than 20 years, our intellectual rigour, operational experience and insight have helped our clients resolve issues ranging from development of operator strategy, evolution of national sector regulation and execution of major financial transactions, to the deployment of public and private network infrastructure.

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