

Methods of TV Delivery

The October 2004 TAP survey showed that of the survey population, 65% received their TV programming from cable, 23% from satellite, and another 115 from terrestrial sources. These percentages track closely with other national survey data.

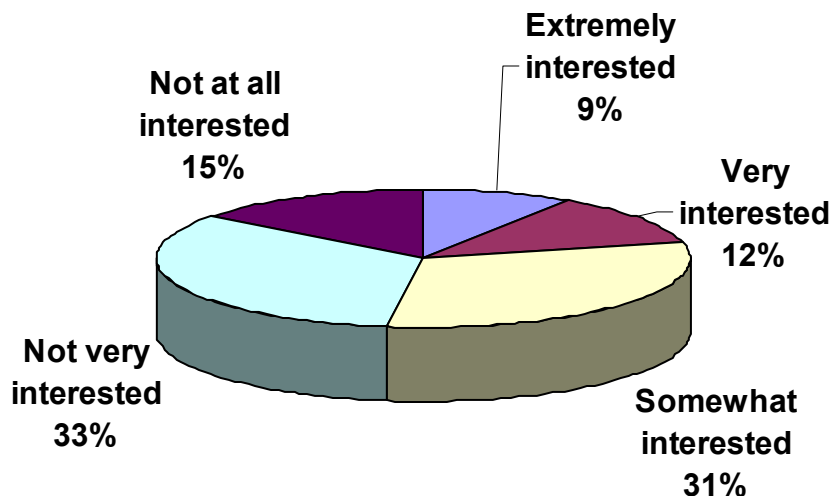
Over 40% of respondents had four or more TVs in their home. Of those with more than one TV, 23% receive their TV signals by different means on the various TVs. Most of these secondary TVs with different reception means use an off air antenna.

Overall, the results underlined that the survey respondents were very savvy about technology and generally view themselves as early adopters of new products and technologies. For example, 45% of the survey respondents who were cable TV subscribers also noted that they were digital cable TV subscribers. This is in comparison to 35% of total US cable subscribers being digital cable subscribers. The “early adopter” tag also applies to the use and ownership of Personal Video Recorders (PVRs). Nationally, approximately 5% of all households have a PVR. However, an amazing 22% of the survey respondents stated that they owned a PVR. In terms of future purchase plans, only 17% are likely to buy a PVR in the next 12 months. Interest in a portable media player that could download content from the PVR for on the go viewing was 42% saying extremely or very interested. However, the majority want to pay between \$100 and \$200 for such a device but today portable media players are often over \$400.

When asked about buying or leasing equipment, cable subscribers were fairly evenly divided between preferring to buy, lease, or having no preference for acquiring receiving equipment. 65% of satellite subscribers would prefer to buy their reception equipment.

Only 12% of cable and satellite subscriber respondents subscribe to an HDTV package. 79% said they do not subscribe because they do not own an HDTV. 28% thought an HDTV package cost too much, but only 17% listed lack of HD programming as a reason. 21% of those who do not subscribe to HDTV today are extremely or very interested in subscribing within the next 12 months. The number interested seems high as most would have to buy a new TV set before they subscribed.

Interest in Subscribing to HDTV Programming Within the Next 12 Months



In North America, HDTV broadcasts by satellite operators continue to expand. DirecTV will offer 100 NFL Sunday Ticket games in HD during the 2004 season, compared to one per week in 2003. DirecTV has announced the launch of two new satellites for 2005 that together will have the capacity for 500 local HD channels, which will help to increase shipments in 2005.

We also asked about the likelihood of switching their TV service to their telco if the telco offers a bundled package of services for the same price as they pay currently. Both Verizon and SBC have announced their plans to upgrade their networks to enable the transmission of TV services.

The difference in responses between those who received their programming via a cable operator and those who received their programming via a satellite operator was not large. While 8% of the cable subscribers said they definitely would switch, 5% of satellite subscribers said they would as well. 5% of cable subscribers and 7% of satellite subscribers said they definitely would not switch. The good news for the telcos is that 29% of the total respondents said they definitely or probably would switch. Another 18% of respondents definitely or probably would switch if they were given a 5% discount on the service bundle over their current payment. Not good news for satellite and cable operators as more and more US households will be given a choice of video providers.