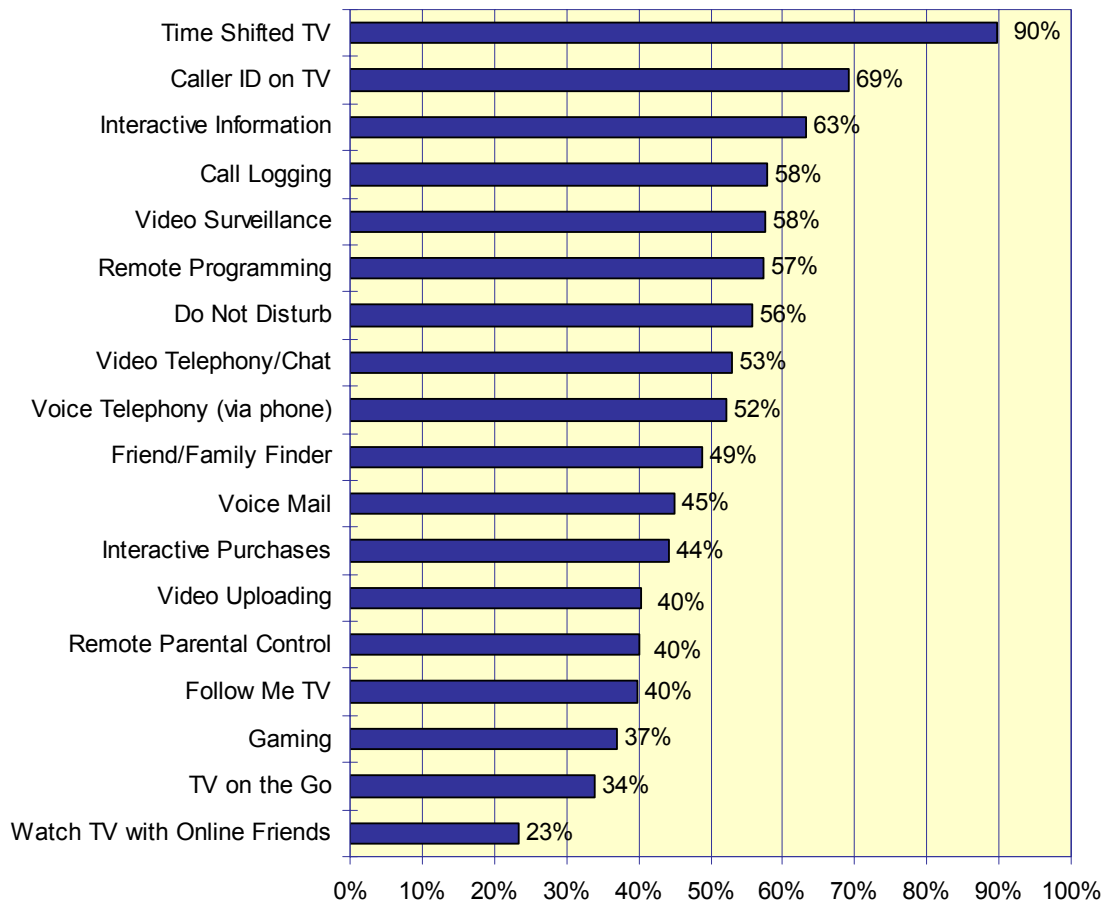


**TV Applications – December 2005 TAP Survey**  
**In-Stat**  
**Executive Summary**

The entry of telcos into the pay-TV provider market has generated a lot of press over the last few years. Large telecom operators like AT&T have announced their plans for deployment of TV services. Equipment suppliers are making strategic moves based on their expectations for this developing market (e.g., Cisco buying Scientific Atlanta).

As the telcos begin offering TV packages, they know that they must first deliver TV channels, with additional services being secondary. Cable and satellite providers have been raising the bar for the last several years by offering Video-On-Demand, HDTV, and Digital Video Recording. So the telcos will offer these as well in order to be competitive. However, many of them want to take advantage of their networks to add more services and applications that will differentiate themselves from their cable and satellite competitors. That does not mean, however, that cable and satellite will not be able to offer these same services as well

In our December 2005 TAP survey, In-Stat wanted to gauge consumer interest in these emerging applications that telcos are looking to provide. Here, in order of the percentage of respondents who were interested, is the list of applications.



Time Shifted TV is of interest to 90% of the respondents, though only 23% of respondents have a Digital Video Recorder (DVR) today. Caller ID on TV and interactive information both received high levels of interest as well. Gaming, TV on the Go, and Watching TV with Online Friends are of least interest. Watching TV with Online Friends may appeal more to teenagers, but our survey respondents are all over the age of 18.

Of course, respondents were not willing to pay additional fees each month for all of these applications. Those applications respondents are most willing to pay for are Time Shifted TV, with 52% of survey respondents indicating willingness to pay, and video surveillance and video telephony, with 25% of respondents indicating willingness to pay. Time shifted TV could have received such a high response because respondents are familiar with the service and its benefits, since it is available today.

Those willing to pay an additional sum for the aforementioned services were split evenly between whether they would prefer to receive the services from their cable or telephone company.

When those respondents who subscribe to satellite or cable TV were asked if they would switch to receiving TV services from their Telco provider, only 5% said they would definitely switch. Another 13% said they would probably switch, but 52% were undecided. Service bundles, prices, and applications will have a great impact on this decision.

Though the telcos do not want to get into a price war with their competition, a 10% discount increased the number of respondents who would probably switch from 13% to 32%. However, any discounts from the Telco are likely to be matched by the cable operators, negating their effectiveness in convincing consumers to switch service providers.

The next few years will see competitive TV offerings from a number of telecom companies. After ensuring that they can deliver the basic services subscribers expect, we anticipate that telcos will layer on additional applications, such as those on our list.