

Digital TV Sets

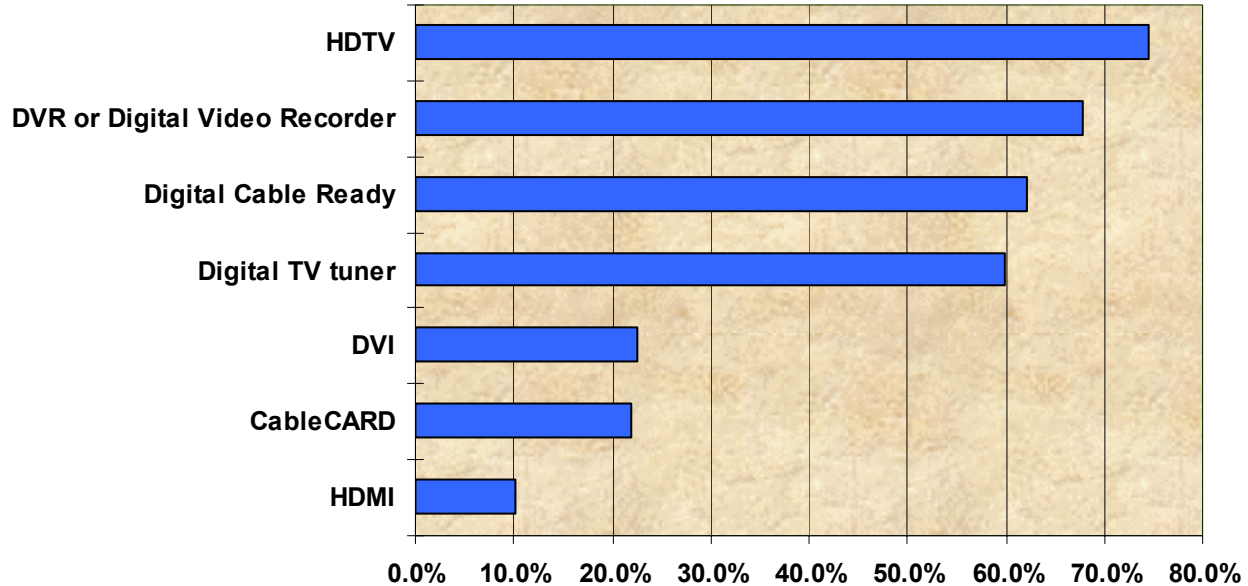
There are two important trends in the TV set market today: CRTs are being replaced with flat panels and microdisplays in direct view and rear projection TVs (RPTVs). Additionally, digital tuners are being integrated alongside analog tuners in large TV set markets like North America, Europe, and Japan.

As TV sets move from analog to digital, there are a few new features being integrated into sets in addition to flat panel displays and digital tuners. Connectivity is expanding beyond the traditional analog inputs. We are seeing many sets with DVI or HDMI and 1394 in the North American and Asian markets. The ability to connect sets to a home network will increasingly become popular in countries with high broadband penetration, enabling the download of EPG data, viewing of PC content, and surfing the web on the sets.

The first effects of the FCC DTV tuner mandate can be seen in the integrated tuners and CableCARD slots found in many of the large screen TV sets today. Many top manufacturers make all their integrated DTV sets Digital Cable Ready since the additional cost is minimal.

In our February 2005 DTV Set Technology Adoption Panel survey, respondents were asked to rate their familiarity with several digital TV terms. The following chart shows the percentage of respondents who said they are extremely familiar or very familiar with several digital TV terms. 75% said they were familiar with the term HDTV. While Digital Cable Ready was known by 62% of respondents, only 22% were familiar with the term CableCARD. Unsurprisingly, the familiarity rates increased among those respondents who had most recently purchased a new TV set. DVR familiarity was 71% for both digital cable and satellite households and lower for analog cable and FTA.

Familiarity with Digital TV Terms



Source: In-Stat, 2/05

N = 601

43% of respondents have four or more working TV sets in their home compared to 8% who have only one. Those with only one set are more likely to have a less than 30-inch sized set. Over 30% of respondents currently have a TV with a 25 to 29-inch screen as their primary TV set. This relates to the popularity of the 27-inch TV set. The 30 to 34-inch category, which is where the 32-inch TV falls, captured 22% of respondents.

8% of all respondents plan to buy a DTV set within the next six months. 16% of respondents plan to buy in 6 to 12 months. 34% do not plan to buy a DTV set at all. The primary reason given by our respondents for not planning to buy a new TV set are that they do not need or want a new TV set. Only 18% said the primary reason was that the sets are too expensive. 16% said they already own one so do not plan to buy another.

The most often cited reason for buying a DTV set is the desire to watch HD broadcasts in the highest resolution. Only 18% of purchases cited the desire for a flat panel set as the main reason to buy a DTV set. However, Flat panel TVs are overwhelmingly popular with 66% of respondents who plan to buy a DTV in two years planning to purchase a flat panel TV. Plans for a flat panel TV purchase were greater among younger respondents than older.

The consumers in our survey are a little unrealistic about what they will need to spend to buy the flat panel that so many of them plan to buy. 27% of those who plan to buy in the next two years plan to spend less than \$1,000. 36% plan to spend between \$1,000 and \$2,000. Consumers are depending on price declines in DTV sets. Consumer electronics stores are overwhelmingly the most popular location for buying a DTV set. Only 5% of respondents expect to buy online.

HD compatibility, screen size, and price were ranked extremely important or very important by over 80% of respondents where asked about decision criteria. Brand came in last as it was important to only 35% of respondents, though design and brand were more important to those planning to buy in the next year than those planning to buy in one to two years. With regard to the features the respondents are interested in having built-in to the TV, an EPG is at the top of the list. 41% would like a DVR built-in to the TV, though no manufacturers are offering a built-in DVR today. A connection to a home network is desired, but PC card slots, photo viewers and Internet access are not as high on the list.