

Technology Adoption Panel Executive Summary

DVD Recorders: Doubling Again

While the DVD recorder market is not growing as fast as the DVD player market, the market did double in 2005. DVD recorders did drop below \$100 in 2005 as expected. What was not expected was that they reached this price in July. By November, DVD recorders were prominently featured in Black Friday ads with prices as low as \$70 including the mail-in rebate. We believe the price declines will drive the shipments to over 50% growth again in 2006.

DVD recorders are being combined with other products just as DVD players were. There are a number of DVD recorder + DVR and DVD recorder + VCR products available today. 26% of respondents in a recent (November 2005) Technology Adoption Panel survey indicated that they are interested in DVD recorder + DVR products, 12% are interested in a combined DVD recorder + VCR, while 18% are interested in a device that combines all three, a DVD recorder + DVR + VCR.

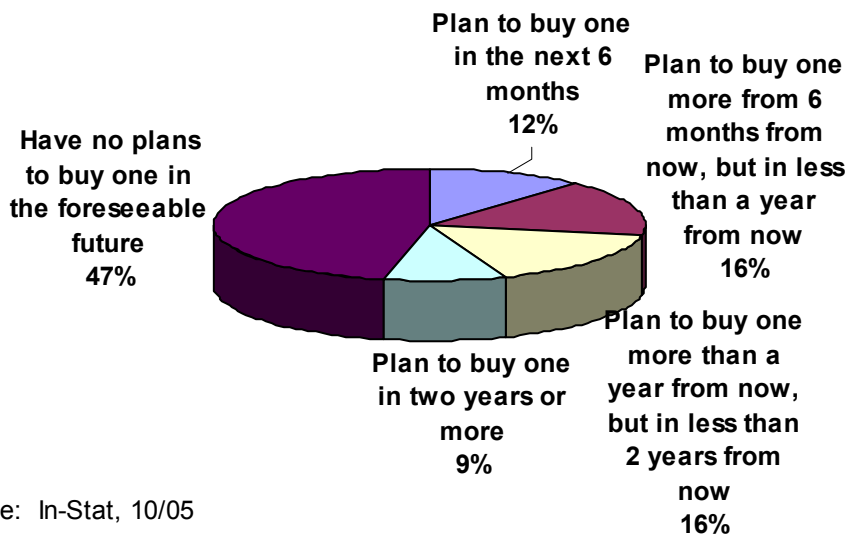
We will see combined DVD recorder + DTV receivers since ATSC tuners will be integrated into DVD recorders in time for the 2006 holiday season. According to the FCC DTV tuner mandate, all devices that contain analog NTSC tuners must also have digital ATSC tuners by March 1, 2007.

DVD recorder vendors will add new features in DVD recorders in 2006 including support for dual-layer discs, DVD-Audio and SACD playback, and HDMI connections. Memory cards slots, commercial skip ability, and easy to use Electronic Program Guides (EPGs) will be more prevalent. To eliminate consumer confusion over which disc works with which recorder format, we will see DVD recorders use of super multi-format drives that read and write DVD-RAM, DVD-R, DVD-RW, DVD+R, and DVD+RW discs.

Consumer Says

In our November 2005 Technology Adoption Panel survey about DVD recorders, 16% reported owning a DVD recorder that was not part of a PC, compared to only 8% in 2004. The panel's responses on their plans to buy a DVD recorder in the future were unchanged from 2004 with 28% planning to purchase on within the next 12 months.

Which of the Following Best Describes Your Plans to Buy a DVD Recorder in the Future?



Source: In-Stat, 10/05

The ability to watch one show or play a DVD while recording another show ranks high with our panel. The top three most important capabilities for a DVD recorder are playing prerecorded discs, recording personal videos to DVD, and storing digital photo files on DVD. The next two are recording TV programs and transferring content on VHS tapes to DVD.

Next Generation Optical

2006 is also the year for the first shipments of next-generation blue-laser optical disc players and recorders in the US. While we expect they will eventually have an impact on the red-laser DVD recorder shipments, they will be too expensive for most households to consider for the next few years. Survey respondents were evenly split in their responses about the importance of recording high-definition programming. About 1/3 do not have a need for HD recording, 1/3 were OK with downconverting an HD program for recording, and the last 1/3 want to record HD programming in HD.

Success of these next generation blue-laser optical players and recorders will depend on the availability of content, the price of content, and the price of the playback/record device.

We anticipate that next generation blue-laser optical players and recorders will be successful but grow at a rate more similar to the DVD recorder than the DVD player.