



## **Massive take up of HD ‘Ready’ Displays – but HD content remains elusive for most**

*A large HD ‘Content Gap’ will remain in 2012 with a majority of  
Europeans still watching standard definition TV on their HDTV displays*

**London 25th June 2008.** According to the latest report from media analysts Screen Digest, HD technology has reached a tipping point in Europe, with take-up across the region accelerating rapidly. Despite the growing penetration of HD screens, the report identifies a significant ‘content gap’ caused by a lack of HD content on free-to-air platforms across the region. By the end of 2007, 18 per cent of the 165 million European TV households were equipped with HD displays - but less than one per cent of these (approximately one million) were fully ‘HD enabled’ (i.e. equipped with an HD set-top box and an HD subscription enabling them to watch HD broadcasts).

The report forecasts that by 2012 the situation will have improved little – only 20 per cent of the 85 per cent of European households with HD displays will actually be watching in HD.

Screen Digest Senior Analyst and author of the report, Vincent Létang comments “In the next five years, HDTV will remain little more than a pay TV product in Europe – primarily on satellite. Analogue switch-off, which will happen between 2010 and 2012 will free-up bandwidth capacity on the digital terrestrial platform and will kick-start the next phase of growth in HD TV. HD TV will become the mainstream and ultimately the standard form of free television around the middle of the next decade. In ten years time, nobody will ever refer to ‘high definition’ because HD will be everywhere.”

### **The three critical success factors – almost in place**

Screen Digest has identified three critical success factors that will support the successful expansion of HD TV: Penetration of HD displays, supply of HD content and the availability of HD broadcast platforms.

By the end of 2007 HDTV display household penetration had reached critical mass in Europe at 20 per cent and the US at 36 per cent. In the same year, the US market experienced a 'big bang' in the number of HD channels, with most of the big TV brands now offering an HD version of their transmissions. However, HD broadcast coverage in Europe remains patchy, with good HD channel line-ups only on some of the satellite pay-TV platforms but little on cable and even less on DTT (only in Sweden).

### **The content gap**

The lack of access to free-to-air HD channels is a key reason behind the low take-up of HD. In Europe there are currently approximately 100 HD channels, with the vast majority on satellite and only a handful available on cable. As of today, only Sweden has launched HD on free-to-air digital terrestrial TV and only France and the UK are likely to follow suit in the short term.

However, Screen Digest believes that ultimately HD will become the default choice of TV viewers but in the most part they will have to wait at least until 2015 to enjoy the content for free. This will be driven by the availability of HD across all free platforms, channels upgrading to HD making other formats unwatchable and next-generation TV's coming with MPEG4 capability.

### **Making HD Pay**

Europe's Pay TV operators are using HD to increase loyalty and reduce churn rates and to increase revenues per subscriber (ARPU). Some operators have also been able to charge subscribers a premium for HD content; others have offered it for a small fee or none at all for subscribers with an HD box. Screen

Digest believes this approach will become the most popular as cable and satellite operators drop fees to encourage more people to upgrade to HD.

In a maturing pay TV market HDTV can also drive customer acquisitions as consumers who upgrade to an HD display might also wish to upgrade to a pay TV package to fully enjoy their new purchase. In this sense, pay TV operators have a window of opportunity in which to drive subscriber growth before HD broadcasts become available on free-to-air platforms.

Senior Analyst Letang comments “HD has not been pushed hard enough by many of Europe’s pay TV operators. Paradoxically, it has been used heavily as a marketing tool, but has not been followed through with the delivery of HD channels – for example, Premiere in Germany still only offers two HD channels. There is a direct connection between the depth of the HD offering and the take up of HD by subscribers. BSkyB has 17 HD channels and on the back of this has signed up almost 500,000 subscribers in less than two years.”

### **Migration to MPEG4**

The report includes an exclusive detailed analysis of the business case for migrating to MPEG4 in conjunction with the migration to HDTV. Screen Digest believes that small and medium sized pay-TV operators might benefit from reduced costs of transmission by migrating, but for the larger players like BSkyB and Canalsat, costs will outweigh any potential savings made.

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**About this research**

The report entitled “HD TV 2008: Global Uptake, Strategies and Business Models.” examines the entire HD market of broadcast, audio-visual and the technical chain in Europe, the US and key global markets. It includes analysis of the strategies of the 15 leading pay-TV operators, forecasts of subscriber numbers to 2012 and exclusive Screen Digest analysis of the business case for migrating to MPEG4 in Europe.

**About Screen Digest**

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