

Half Of Europe Will Have DTV In 2009

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Digital TV penetration in Europe has grown in starts and sputters over the past few years. Financial woes and high costs, for example, have slowed its expansion.

However, improved operator finances, new business models, and new DTV functionalities will propel DTV penetration in Europe from 22 percent by year-end 2004 to half of all European households in 2009. The UK will still contribute the largest share of DTV households. Digital satellite will remain the dominant delivery mechanism but will see a challenger in digital terrestrial TV.

Here are the country highlights:

• The UK: Europe's most-competitive digital economy.

The UK accounts for 42 per cent of all digital TV households in Europe today. The UK is Europe's digital over-achiever. Half of all UK households hav-

ing digital TV access. The UK features the only profitable digital TV platform operator. And, the UK ranks as the largest eCommerce economy in Europe. Satellite platform operator BSKyB and public TV broadcaster BBC have been the engines of DTV growth. But even in this advanced DTV market, 50 per cent of households don't know the difference between analog and digital. The UK will keep its lead in the next five years, but it will experience the slowest overall DTV growth as the penetration tops out at 79 per cent of all UK households in 2009.

• France: Vivendi Universal's financial debacle left a mark.

France's main digital TV operator, Canal Satellite, has only just started experiencing significant growth; it gained 230,000 new subscribers in 2003 following a two-year lull. A climate of uncertainty, resulting from the finan-

cial woes of its parent company, Vivendi Universal, cast a shadow over investments in digital ventures in France. As the recent consolidation of cable operators settles out, 21 per cent of French households will have DTV access by the end of this year — a small increase over 2003. By 2009, DTV penetration will grow to 49 per cent of households through aggressive marketing efforts, new iTV features, and collaboration between France Telecom, TPS, and Canal Satellite to roll out TV over ADSL.

• Spain and Italy: Mergers stem growth for now.

The 2002 merger between the two leading DTV operators in Spain, Via Digital and Canal Satellite Digital, formed DIGITAL+. The demise of digital terrestrial operator Quiero set Spain's DTV base back to where it was in 2001. Growth is picking up, leading to a

penetration to 49 per cent of Spanish households in 2009. The same story holds for Italy — a similar merger episode and stagnation while Sky Italia restructured to copy the success of BSKyB in the UK. Italian appetite for pay TV will feed Sky Italia's ambitions. Aided by the government's determined push for the coverage of digital terrestrial TV, Italian DTV penetration will rise to 38 per cent of households in 2009.

• Germany: New go-to-market strategies lure users.

Having up to 50 channels through regular cable, Germans never saw the point of a DTV subscription. It did not matter how great the content of the main digital TV operator Premiere might have been. But Premiere started to grow rapidly once it allowed users to buy open standards-based set-top boxes from certified retailers with a cheap, basic subscription package. The company also helped itself by turning to its popular portal site, WEB.DE, as its key digital marketing partner. Premiere will help turn Germany into the second-biggest DTV market in Europe, driving penetration from 15 per cent by the end of this year to 49 per cent of households in 2009.

• The Nordics: Sweden's and Finland's power growth.

In Sweden, two digital satellite TV operators, three main digital cable operators, and one digital terrestrial operator are in a cutthroat competition. That battle should spur 27 per cent of the Swedes to take to DTV by year-end and 60 per cent by the end of 2009. The Finnish market is unique in Europe because digital terrestrial is the main delivery mechanism there. The results showed that Finland experienced more than 100 per cent growth, largely because of the availability at retail of cheap set-top boxes. In 2009, two-thirds of Finnish households will have DTV access, up from 23 per cent by end of 2004. The lofty DTV penetration in the Nordics could even have been higher if operators hadn't been sitting around waiting for deployment of MHP-enabled set-tops, which are yet to be rolled out commercially in the region.

• The rest of Europe: There is little

DTV action — except in Ireland.

Piggybacking on proximity to the UK, Ireland has drawn UK DTV operators BSKyB and NTL, resulting in a DTV penetration of 32 per cent in 2004 and 67 per cent in 2009. The rest of Europe suffers from either a lack of investments, as is the case with Greece; technology, as in Portugal; or a compelling consumer value proposition, which is the problem in cabled Benelux countries.

Digital Terrestrial Makes A Comeback, But Satellite Continues To Rule

The battle for the delivery mechanism of DTV is no longer a one-horse race as it was two years ago when direct-to-home digital satellite (DTH) accounted for 73 per cent of all DTV delivery.

• Digital satellite will remain on top.

DTH's share will decline from 68 per cent today to 62 per cent in 2009 due to competition from the other platforms, low satellite dish penetration, and legal limitations on satellite dish placement in cities such as Paris. But DTH will still offer the most compelling iTV applications because of the limited support for interactivity that cable middleware provides and the inherent technical limitations of digital terrestrial (DTT).

• DTT will draw the price-conscious.

DTT is appealing because it is cheap. Most DTT operators don't charge a monthly subscription fee. For example, UK consumers can get access to FREEVIEW, the DTT platform, by simply buying a set-top box that costs as little as £69. These platforms saw their subscriber base explode over the past year, but the growth will slow down. All of the operators have yet to craft a way of making money to sustain their platforms. They could easily face demise similar to other pioneers.

• Digital cable will grow in starts and sputters.

European Digital TV Penetration — 2004 - 2009

Country Breakdown	2004 (thousands of households)	2009 (thousands of households)	% of all TV households
UK	14,435	19,916	79%
Germany	5,414	18,365	49%
France	4,991	11,850	49%
Italy	2,759	8,523	38%
Spain	2,280	7,826	49%
NORDICS			
Sweden	1,116	2,523	60%
Finland	511	1,523	66%
Norway	478	1,245	61%
Denmark	355	1,212	49%
BENELUX			
Netherlands	480	1,635	23%
Belgium	282	1,482	35%
Luxembourg	12	42	23%
REST OF EUROPE			
Portugal	263	1,517	39%
Austria	378	1,738	47%
Switzerland	148	915	27%
Greece	267	908	23%
Ireland	417	902	67%
TOTAL EUROPE	34,589	82,121	50%

Source: Forrester Research

Most cable operators in Europe are now out of the financial quagmire that they faced two years ago. But they will continue to have a hard time convincing channel-saturated analog consumers to switch to digital. They also will have trouble maintaining loyalty among their digital subscribers. As a result, digital cable TV will crawl from an 18 per cent DTV share today to 20 per cent in 2009.

• ADSL/FTTH/IP will move from trials to full launch.

Although every house has a phone line, few operators have commercially rolled out "broadband TV." Except for Fastweb in Italy, those that tried ended up failing. The casualties include HomeChoice and Kingston Communications in the UK, which saw their subscriber base for TV/video over ADSL plummet by a combined average of 46 per cent in the past two years. Yet telcos in France, Germany, Norway, Austria, and Belgium are keen to roll out these services with most planned commercial deployment starting in 2005. They will reach just two per cent of DTV households with their TV/video over telephony.

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