



REQUIEM FOR THE TELEVISION

**TABLETS, OTT, FASTER BROADBAND TO
MAKE THE TV NORMAL UNRECOGNIZABLE**



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Executive Summary Only

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The TV becomes unrecognizable

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The Rethink Difference—and Method

Rethink Technology Research has begun to pioneer a series of forecasts that focus on deep industry changes, we specialize in asking questions about when an industry starts and ends or goes into its next phase, and when it is going through a major contraction. Forecasters are pretty poor at forecasting market decline and yet many technology markets are on the verge of inevitable decline.

Major contractions appear in an industry, usually at a time when disruptive innovation occurs, and this can come during a period of uncertainty or technology transition, such as the industry shift from analog to digital which heralded Apple's arrival in consumer electronics, or when a particular player changes the rules with a new class of product.

One trigger for disruptive innovation is when something comes along that is half as good, but costs a tenth of the price, and this is the case when tablets are used for TV viewing, making it a killer app, increasing witnessed in the US and Western Europe. Other things which have changed the rules inside a technology sector include the introduction of touch screens to handsets, the arrival of the CMOS RF tuners in TV sets, set tops and DOCSIS modems. Another similar event on the near horizon (which we will deal with in our next report) is the emergence of WiFi as a key driving force for the cellular market.

At these points in technology history, there are structural changes in the sector eco-system and new market leaders emerge. The old rules no longer apply and some leaders fall by the wayside. Famous brand names disappear or at least go into reverse, while new names flourish. One of the problems

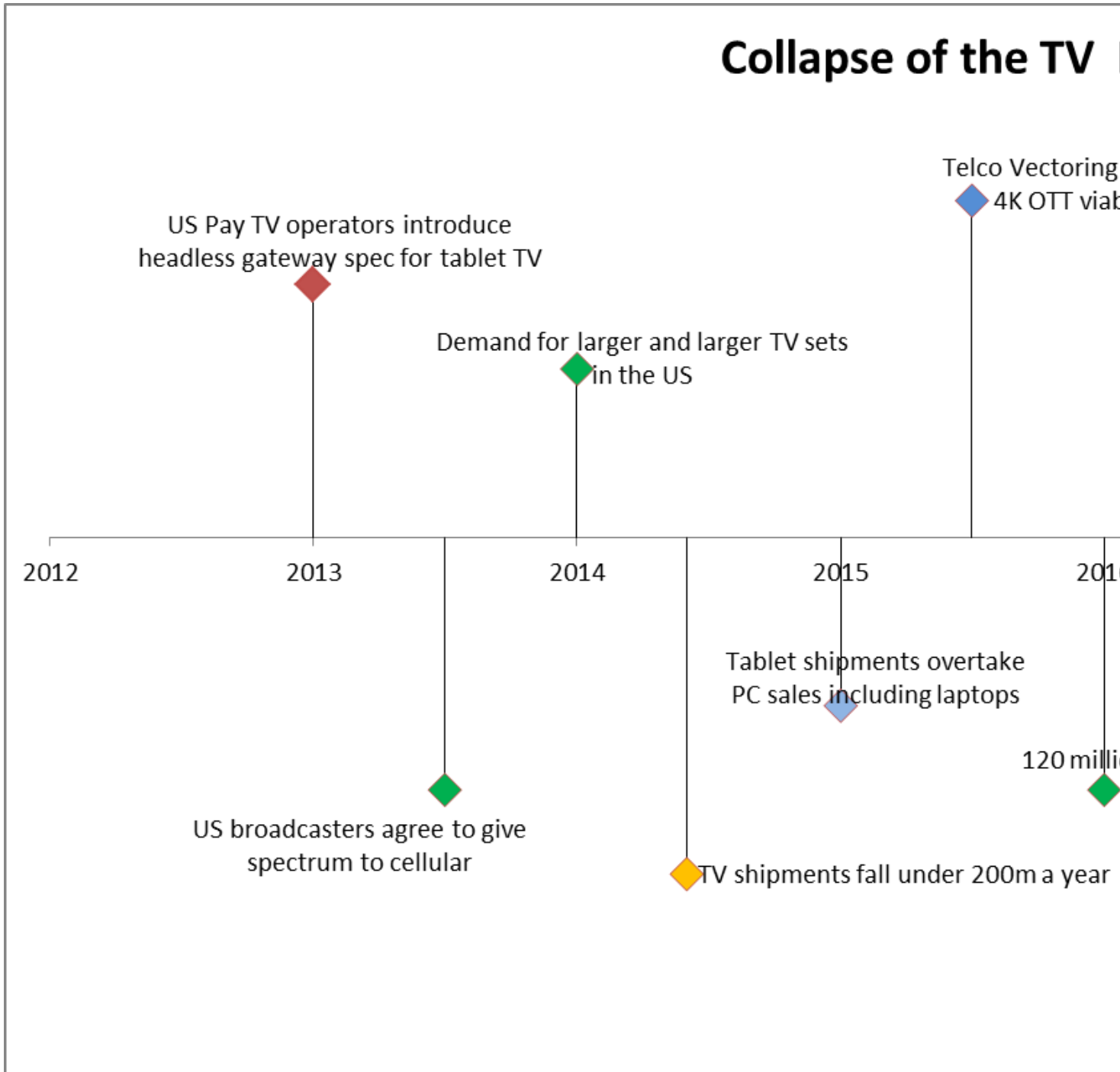
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of trying to forecast during these periods is that the old methods of plotting the existing dots in a linear fashion, and extending them, no longer work.

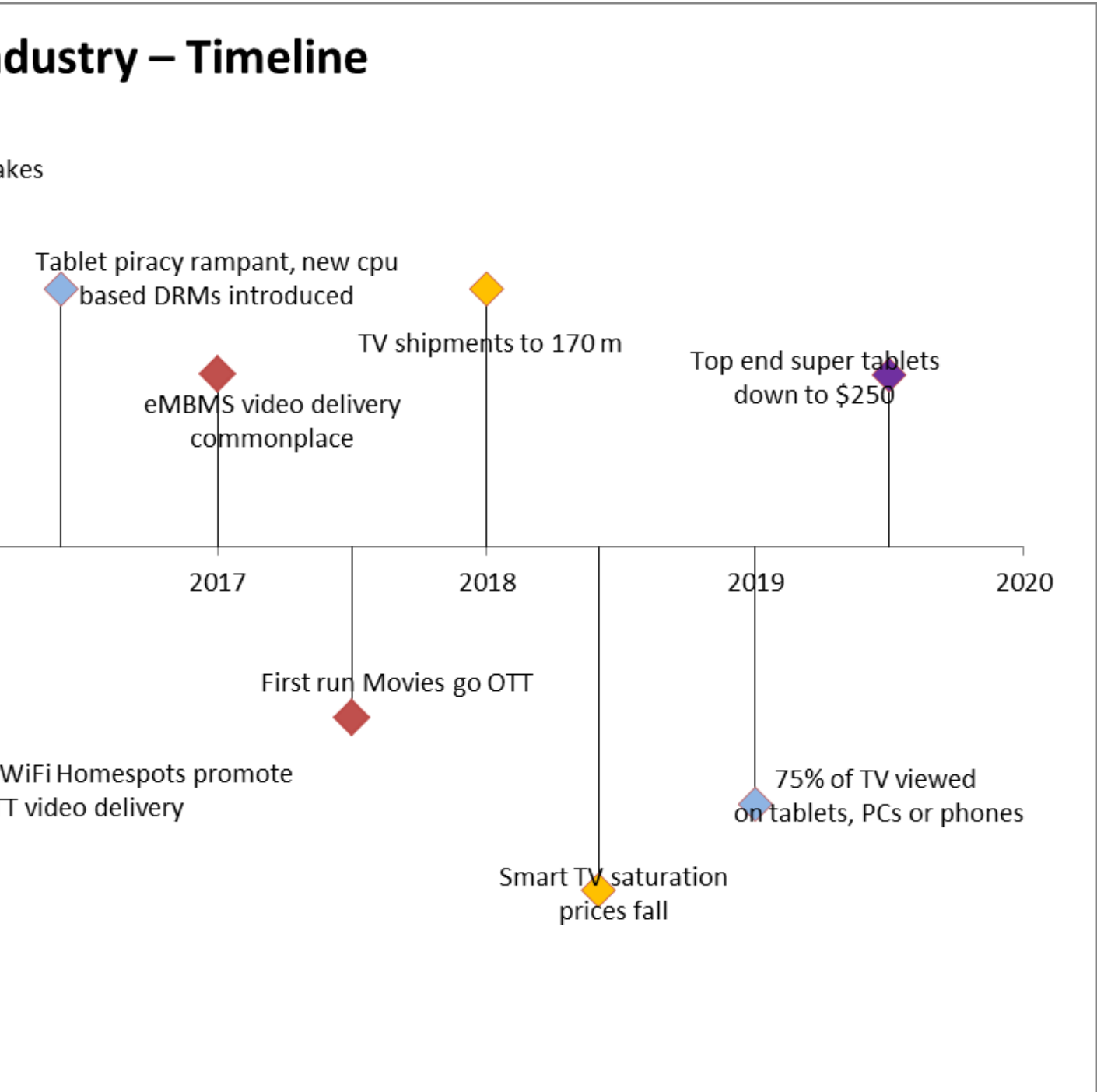
All we can hope to do is to describe the future market shape and point to those who will lead it, and put some rough numbers to plot the order of magnitude of the changes. It is important to scope out the level of decline in the existing market. This can give market players the right clues to what is going on and help them survive. It is not a good idea to spend on marketing when R&D needs your dollars. One of the worst feelings in the world for an executive trying to plan a business is to continue to invest in the past, when the future is beckoning urgently.

Disruption forecasting will be with us for a while, as Rethink has identified at least 6 major hurdles in the way of linear market progression, in the TV, pay TV, broadband, broadcast and cellular sectors. Things are not going to be normal in these markets for some time, which is why executives have stopped buying conventional market studies. The best thing affected players can do is to try and picture the shape of the market in the future and position themselves with the right product lines and the right cash reserves, and a cost structure for survival, and to reset the expectations of their shareholders around the new truths that dictate the new normal.

The Collapse of the TV Industry—Timeline



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About Rethink Technology Research

The TV manufacturing industry has been through big disruptions before, such as the rapid displacement of cathode ray tubes by flat screens early in the noughties (the decade after 2000) coinciding with the arrival of HD, but it hasn't seen anything like what will happen in the next five years. Once again the industry faces a seismic technology shift with a costly switchover from LCDs to OLED (Organic Light Emitting Diodes) and a trend away from monolithic single screens to composite or tiled flat panels. But this time round there is less upheaval centered on display technology, which is almost coincidental, and more centered on fundamental changes in viewing habits, with a big shift towards content consumption on mobile devices and especially tablets already well underway.

It is this phenomenon that will decimate sales of traditional TVs for secondary viewing and will even lead to a growth in the number of households either without a big screen or which replenishes them less often, reversing a trend that was set in half a century ago. At the same time there will be growth in sales of large or even wall sized displays, but these will be increasingly made up of composite

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panels, leading to a new industry in bespoke systems built to order, initially for more affluent households.

It may seem counter intuitive suggesting that some homes will not have large screen TVs at all, but in 1980 could we imagine a home that did not have a fixed line telephone – and yet fixed line substitution, most often by mobile phones, means that many homes in advanced mobile economies do not have fixed phone lines at all. TV will go through a similar transition, and if you think of the home phone, it has gone down in price and bypassed all the innovation that cellular handsets have gone through. Today a fixed line phone can cost as little as \$20, while a smartphone costs \$600 or more. If something analogous happens to the large TV screen, it will spell disaster for the entire industry – but that's exactly what the tablet threatens.

Again it may seem counter intuitive to suggest that people will view video pri-

Who should buy this report ? And pricing

We have written this report for Consumer Electronics manufacturers, Pay TV Operators, Broadcasters, all types of network operators, Telcos, cablecos, satellite and IPTV operators, and equipment and software suppliers to these companies, including encoder manufacturers, DRM specialists, handset makers, chip designers. These are the people that these ideas, observations and forecasts will affect most. The report is targeted at management and marketing levels for business case analysis and forecasting.

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