The Global TV Market

HbbTV Symposium 2019
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Bumpy year: tariffs, excess LCD display capacity, slowdown

- US Government raised 3.9% tariffs on Chinese–made TVs to 18.9%: huge seasonality distortion (typically 60-65% second half, 2019: 56%)
- Oversupply of LCD panels: tumbling TV set prices, especially in 65"+
- Chinese TV market declining. Increased competitive intensity, especially in Europe.
Pricing and value in crisis

**TV revenue forecast (billions)**

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Source: IHS Markit

- Screen size growth is not enough to arrest price falls
- Set prices still falling faster than costs
8K will remain a rare treat…

Shipments of 8K will be just over 3 million in 2023.
Internet connectivity a default feature, taken for granted.

- Globally, smart now present in 77% of sets shipped in Q2 2019.

Smart TV penetration trend

Source: IHS Markit

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IHS Markit expects all brands to discover that their TV-only platforms will continue to struggle and be gradually replaced by open cross-device platforms.

Amazon’s Fire TV OS and Roku expand beyond North America, Western Europe the first step.
Xiaomi

- Xiaomi become important force in TV, cross-selling Smart TVs and its Smartphones.
- Brand has led in China in the past five quarters.
- Xiaomi launched in India in early 2018, already top-3, rising to second place in Q2’19.
- Launched in Russia in Q2’19.
- We expect more in Europe, most probably southern and eastern Europe.
- Xiaomi has been more cautious than other streaming brands, appears more focused on operational success than growth.
- However, Xiaomi’s brand index very low at 50% - its main proposition to consumers is very low pricing.

Xiaomi TV shipment (000s) and share trend (line)

Source: IHS Markit © 2019 IHS Markit
Cord Cutting: pay TV ARPU in US compared to rest of the world (monthly)

ARPU: Average revenue per user

- US: $95
- Rest of the world: $24, $6, $8
Europe: conventional pay TV still thriving against new competition …but growth story is OTT

Europe: pay TV and online video subscriptions (millions)

Source: IHS Markit

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UK broadcasters’ success with catch-up…

Comparison Germany & UK: share of service use per week

- YouTube
- Netflix
- Free TV catch-up
- Sky TV
- Amazon Prime

Source: IHS Markit
Germany, age group streaming behaviour

Germany, share of viewers watching at least weekly

Source: IHS Markit
UK, age group streaming behaviour

UK, share of viewers watching at least weekly

Source: IHS Markit © 2019 IHS Markit
India: glimpse of our future video consumption?

57% of Indian internet users use a smartphone. Over 700M mobile subs, 20M fixed.

- 71% of Indian internet users link their mobile to TV.
- 30% of Indian internet users surveyed use mobile casting from a smartphone to TV.
- Internet connectivity largely mobile-based in India, smart TV feature networks seamlessly with smartphone.
- Totally different usage to other regions, but future emerging market development of smart TV featuring?
- Netflix has launched a Rs 65 ($1) mobile-only tier in India targeting mobile-first consumers.

\[ \text{Weekly subscriptions now available} \]
Summary

• Seismic shift in TV set business: like ascendance of Koreans 15 years ago
  > Chinese supply chain dominates in future, levelling brand playing field

• Cord-cutting not a factor in Europe, but competition intensifying

• HbbTV critical in modernizing broadcast business model
  > Is marketing the greatest challenge?

• Mobile integration must be watched closely, emerging markets will lead.