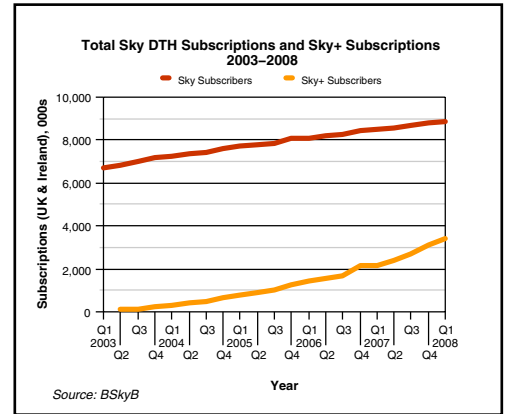


What Is It?

- Device that records television data in digital format, as opposed to VCR's analogue format, to a hard drive.
- Allows viewers to pause live television, record one programme while playing back another and, more significantly, fast-forward through commercial breaks. Digital TV homes have a choice of a stand-alone DTR box which plugs into a set-top box or a combined set-top/DTR.

Current Market

- Highest global penetration is in the US, with 22% of households subscribing to a DTR, equating to 24.6 million homes. Europe lags behind with less than 2% of households having access to a DTR, although the UK has a strong market within this.
- BSkyB remains the UK market leader - its Sky+ service has reached 3.4 million subscribers - almost 15% of all UK TV households. Sky's target of ensuring 25% of its customer base were subscribing to its DTR service was reached at the beginning of 2007 - three years ahead of schedule. Sky+ is now in more than one-third of all Sky homes.
- Other UK DTR market entrants include Virgin Media's V+ service (also includes HD as standard), Freeview+ and Top Up TV's Anytime.
- The DTR market is starting to show signs of maturation - expanding geographic availability of DTR products and levelling out of both DTR unit shipments and product revenues - according to In-Stat.



Impact On Advertising

- The arrival of DTRs sent a wave of fear through the TV advertising industry; concerned at the potential loss of commercial impacts. However, evidence from BARB, London Business School (LBS) and BSkyB suggests that rather than avoiding adverts, most DTR homes actually watch more at normal speed.
- LBS research shows most TV viewing in DTR homes is still live and viewers still respond to television advertising. Although viewers fast-forward the majority of time-shifted commercials, attention remains high. The research also suggests that fewer than 20% of all advertisements in DTR homes are fast forwarded, and just one-third of fast forwarded ads are zoomed through at maximum speed.
- BSkyB's Skyview panel shows that Sky+ homes watch 14% more commercial TV than before (20 minutes more a day), around 87% of viewing is still to live broadcast and, of the viewing that is timeshifted, 44% of ads are watched "as live" - as a result Sky+ owners view around 6% more commercials at normal speed than previously.
- Research by Nielsen showed that US DTR subscribers still watch, on average, two-thirds of advertisements and playback closer to the original time of transmission retains more of the audience during commercials than DTR playback that occurs much later.
- LBS's Patrick Barwise claims, "People's self-perception is that they time-shift a lot and always fast-forward through the commercials. The reality is very different, more complex, and much less threatening for the future of TV advertising." Nevertheless, broadcasters and advertisers will need to evolve strategies to meet the challenge of a mass-market move to time-shifted viewing.

Going Forward

- Within the US, DTR subscriptions are forecast to increase over the next few years, but at a slower rate of growth.
- By 2012, Magna Global forecasts that 37% (43.5 million) of US TV households will have DTRs.
- UK DTR ownership will increase between 2008-2012, as switchover necessitates viewers upgrading their television sets and opting for digitally integrated hardware. By 2012, Jupiter Research predicts UK DTR penetration will reach 34% of all TV homes.
- In 2008, DTR product unit shipments are forecast to surpass 22.6 million, up from 19.6 million in 2007 and long-term prospects for the market remain bright, as strong demand from pay-TV service providers for DTR-enabled digital set top box products will sustain growth, according to In-Stat.

US DTR Forecasts (000s)

	2008	2009	2010	2011	2012
DTR Subscribers	30,131	34,356	38,137	41,009	43,467
YoY Growth	11.0%	13.9%	11.0%	7.5%	6.0%
% of TV Households	33.2%	30.2%	33.1%	35.3%	37.0%

Source: Magna Global, June 2008