

Guest Column: Give Digital Broadcasting a Chance

Once upon a time, broadcast television was the darling of the advertising world. Families would gather together to watch their favorite shows. This huge audience was an awesome platform for advertisers who wanted to reach the mass market. From the very beginning, the content was wireless and traversed the airwaves to TVs throughout a station's viewing area.

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Over the last few decades, new technologies have transformed the way people watched television. New distribution technologies such as cable and satellite TV continue to increase the number of available channels. New storage technologies such as digital video recorders let viewers record shows, watch them whenever they want and even skip over commercials. Additionally, new Internet-based technologies allow users to stream video content from almost anywhere in the world and create a two-way interactive experience.

Some industry analysts believe that these new forms of content distribution will render the over-the-air broadcast model obsolete. However, this author believes that the new capabilities of terrestrial digital television (DTV) will breathe new life into these traditional broadcast businesses.

It's happened in Europe. Across the ocean, over-the-air broadcast receivers are everywhere. Even though customers have cable or satellite TV systems, they also use over-the-air broadcast systems for much of their viewing, including free and subscription-based services. The Yankee Group even forecasts the expansion of terrestrial digital television in Europe. However, rather than lure customers away from cable and satellite TV, broadcast TV will be used in conjunction with these subscription-based services.

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It is hard to believe the analysts' prediction of no growth for the 17 million households, or 15%, in the U.S. that receive their programming from terrestrial broadcasters. Why wouldn't more folks purchase a digital TV tuner and antenna, and receive television for free?

The answer is simply that many people just don't know what is available over-the-air, and the equipment that enables a good



experience is just starting to come to market. This is likely to change over the next few years as high-end antennas and digital receivers come to the market.

The mobile technical standard for the next generation of digital broadcasts is expected to be finalized in 2009. The next iteration of digital broadcast will come with new features, such as allowing mobile phones and other handheld devices to receive broadcast signals. Enabling mobile phones to receive DTV programming without a recurring monthly cost is likely to expand the broadcast audience. Many people will take advantage of this free service, if only as a backup in case their main cable or satellite system doesn't function.

My theory is very simple: Over-the-air broadcasting will not supplant the majority of cable and satellite systems, but will be used in addition to other forms of distribution. As mobile phones, PDAs, laptops and computers come with DTV tuners built into them, more people will be enjoying free over-the-air broadcast channels.

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This fits in well with the Internet culture, which expects everything for free. Since these new devices allow "no-cost" content, it is reasonable to believe that terrestrial broadcasting may be revived. It is also important to note that devices such as laptops and computers can take advantage of their storage capabilities and provide digital video recording functionality, allowing users to time-shift their viewing.

HD radios and digital TV tuners are just now starting to trickle into the market. In fact, I couldn't find an HD radio or a good DTV tuner to purchase from a local electronics retailer. I even had a problem finding a salesperson who knew anything about digital broadcast receivers. One would think that selling equipment that provides the consumer with no-cost programming would make it easier to sell radios and TVs.

The moral of the story is: Give digital broadcasting a chance before you write it off. Let TV and radio households enjoy the benefits of superior video and audio quality, as well as the new capabilities for mobile devices. Then and only then will we start to see the true value of DTV.

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SPECIALISTS IN SATELLITE, MEDIA AND TELECOM INVESTMENT BANKING

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