

Digital Home Entertainment Service Expenses to Peak in 2008

TDG Report Argues that Intense Price Competition and Commoditization Will Result in a Leveling of Digital Home Entertainment Expenses in 2007, Begin Rapid Decline after 2012

June 13, 2007 (Dallas, TX) – A new report from The Diffusion Group argues that digital home entertainment service expenses will peak in 2008, plateau thru 2011, and begin a dramatic decline after 2012. [Digital Home Control Points and Revenue Distribution thru 2016](#), TDG's latest digital home analysis, finds that while entertainment-related service revenue on the whole will increase due to rapid growth in the number of digital homes, per-home expenses will experience negative pricing pressure driven by cut-throat competition and commoditization.

"The majority of digital home entertainment service revenue will continue to be controlled by 'clustered' service providers such as Comcast and Verizon," notes Dr. Predrag Filipovic, author and director of TDG's Digital Home Solutions group. "Although consumers will have more choice in terms of the providers they use for specific entertainment services, only a small share of the revenue and profit pool will shift to alternative or non-facility-based providers."

According to Filipovic, the proliferation of Internet-based services (for example, video over an open broadband connection) will spur the shift towards a distributed digital home architecture that is less controlled by incumbent providers. In response to this loss of control, incumbents will be forced to offer a wider array of digital home entertainment services that, when bundled together, result in lower costs for the end-user. As Filipovic added, we're already seeing the early signs of this shift due to triple-play service offerings which have resulted in price erosion and decreased churn.

While incumbents will maintain control, 'new media' providers will carve out a small but respectable share of digital home entertainment service revenue between 2008 and 2011. The entry of these players will result in a net increase in the total DH service revenue pool but at the cost of traditional video purchase and rental markets such as Blockbuster. Such companies are more exposed to the negative impact of the move toward distributed digital home entertainment services.

TDG's latest digital home analysis, [Digital Home Control Points and Revenue Distribution thru 2016](#), is authored by Dr. Predrag Filipovic, one of the world's leading authorities regarding the evolution of the digital home. The report offers a detailed analysis of the various digital home architectures; the associated revenue and profits pools; and the

impact that commoditization and price erosion will have on the market. As well, Filipovic offers an exhaustive study of how the various digital home players are strategizing to dominate the digital home market and forecasts how these players will impact the long-term revenue and profit distribution.

[Digital Home Control Points and Revenue Distribution thru 2016](#) is now available for purchase at TDG's website (www.thediffusiongroup.com).

About The Diffusion Group (TDG) -

TDG is a research and professional services firm helping clients deliver better products and services in the new media and digital home markets. Using a unique blend of consumer insights, executive-level consultants, and hands-on technical experts, TDG generates reasoned and pragmatic insights that help clients make more intelligent market decisions. TDG produces more than just research - we create Intelligence in Action®.

Media Contacts:

Andy Tarczon

andy@thediffusiongroup.com

469.287.8060

Wendy Stockard

wendy@thediffusiongroup.com

469.287.8061