House of Representatives Standing Committee on Communications, Information Technology and the Arts.

Inquiry into the uptake of Digital Television in Australia

Submission by Retravision Pty Limited

1.0 Introduction

Retravision is a national electrical goods retailer that has been operating in Australia for 44 years.
Formed initially to leverage the combined buying power of a small number of independently owned stores, Retravision now has a branded network of just over 480 stores that remain privately owned and operated..
Sales of audio visual products make up approximately 30% of Retravision's overall sales mix.

2.0 Take up of Digital Television

It is very difficult to access actual data on the take up of digital television. Most retailer and industry statistics are compiled to record screen sizes and technology split (widescreen, plasma, LCD) but do not report whether sets are digital tuner equipped or not. Anecdotal evidence suggests that sales of sets with integrated digital tuners are a very low percentage of television sales.
Consumer research however indicates that the single biggest reason for purchasing a new television is to upgrade to newer or better technology (GfK ConsumerScope). It therefore stands to reason that, price aside, consumers would favour the purchase of digital ready or digital capable product.
Plasma and LCD sales now account for 25% of all unit purchases (more than double the level in the preceding 12 months). Set Top Box (STB) attach rates for plasma are 59% (that is just over half the consumers who purchase a plasma buy a STB at the same time) and for LCD attach rates are 21%. (Believed to be lower as these units are not being installed in the primary home entertainment location).
If the take up of STBs is a proxy for the take up of digital television, there appears to be a favourable trend. In the 12 months to March 2005, the industry sold just over 250,000 STB units compared to 150,000 units in the previous 12 month period. It is interesting to note that 70% of the units sold were only standard definition capable. Again anecdotal evidence suggests that there is a smaller difference in picture quality between standard and high definition in PAL format than there is under the NTSC format used in some other markets where take up of high definition has been faster.

3.0 Encouraging Consumer Interest

3.1 Content

Our stores have embraced digital television and are working hard to educate consumers, however, it is our view that the broadcast networks have not made the new technology compelling enough for consumers. While an improvement in picture quality may be available with increasing levels of content broadcast in digital format, it will not be until interactivity such as user set viewing angles and replays become widely available that the full benefits of digital television can be sold in a compelling fashion to consumers.

3.2 Uncertainty About Cutover

It is our view that there is a great deal of confusion about the actual cutover date for full implementation of digital television. A firm date needs to be established and clearly communicated to ensure suppliers and consumers know exactly where they stand and can plan accordingly. We do not see any need at this point in time to alter the 2008 date originally established. This date needs to be reaffirmed to the general public so there is no uncertainty in the mind of consumers. In addition, reaffirming the date will ensure that suppliers are left in no doubt so that their product road maps can be planned and communicated in sufficient time to ensure adequate stock of digital ready product is available.

Delaying the cutover date can have damaging ramifications as it did when the phase out date for analogue mobile phones was delayed. Growth rates of digital handsets slowed and manufacturers delayed the release of new digital models to the extent that the Australian market was up to 2 years behind other markets.

3.3 Communication

Reaffirming the cutover date should be accompanied by a revitalised series of communications along with publicity material which clearly explains, from a consumer perspective, what will be happening and when. While the material published by Digital Broadcasting Australia has been informative, more effort needs to be devoted to clearly explaining to all consumers what the impact of a cutover to digital television will be. This is probably most effectively done through a series of television infomercials encouraging consumers to become “digital ready”.

4.0 Summary

While the take up of digital television has been slow to date it is still believed a cutover date of 2008 is not only achievable but needs to be clearly reaffirmed. This will provide the necessary incentive to equipment suppliers, content suppliers, retailers and the public to prepare for a firm introduction date. This, coupled with a clear and compelling information campaign, should ensure the public reap the full benefits of digital television in Australia.