

Set-top Box Costs Stabilizing, Spending to Grow with Volume

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IMS Research estimates that the average semiconductor bill of materials cost (BOM) for set-top boxes dropped 37% from 2004 to 2006, going from \$59 to \$37. This precipitous drop was caused primarily by rapidly falling prices for MPEG-2 core decoders chips in preparation for the transition to MPEG-4 AVC (ITU-T H.264) – both in HD and SD segments. However, IMS Research is forecasting that due to a number of factors, this trend will change, and from 2007-2011 the overall average cost of a set-top box semiconductor BOM will stay near \$41.â€•

According to analyst Stephen Froehlich, “Overall spending by set-top box makers is likely to increase as set-top box volumes grow and the product mix shifts to more advanced set-top box designs. Specifically, significant amounts of new spending will go for more hard disk drives in more DVRs and also for no-new wire or wireless network interface modules on many of the boxes being installed in multi-set-top households.”

The newly-published Worldwide Market for Semiconductors and Software in Set-top Boxes – 2007 Edition covers the market for the key hardware and software technologies contributing to the set-top box bill of materials, including core MPEG decoder chips, embedded processors, hard drives, front-ends, operating systems, and interactive middleware.

Other interesting insights from the report include:

- Â Linux will ship on more than 30% of set-tops by 2011 as increased processor performance eliminates the need for real-time operating systems.

- Â Open standard middleware will be running on 27% of installed STBs by the end of 2011.

- Â The rapid growth of Chinese cable and IPTV in 2006 resulted in NDS and other established conditional access vendors losing market share to Tongfang

About IMS Research

IMS Research is a supplier of market research and consultancy services on a wide range of global electronics markets. The company is supported by headquarters in Wellingborough, UK and offices in Austin, Texas and Shanghai, China. IMS Research regularly publishes detailed research on the markets for digital video electronics and the semiconductors that make those products possible, among others. www.imsresearch.com

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