

- Digital Migration: A Set Top Box Manufacturers Perspective

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WHO ARE WE?

Who are we?:

- A Truly Representative South African Set Top Box Technology Company.
- **Focus:** Africa Digital Migration. (100 million TV Households)
- Unique partnership between Nozala & Reunert Ltd.
- Products:
 - Set Top Box Technology.
 - Digital Migration Advice.
 - Localised Electronics Manufacturing Solutions in Africa.
 - e-Government.



Nozala Background:

- Nozala was established in 1996 as a broad-based women's investment company, representing over half a million women.
- A separate legal entity called the Nozala Trust was also formed during the same year to specifically address immediate economic needs, through supporting business start-ups of its empowerment shareholders and other women groups located within rural and peri-urban areas.
- Nozala Investment's philosophy is to support equity investments with operational involvement through value – adding activities.
- Nozala is controlled by its women empowerment shareholders and in 2003 repurchased all the shares that originally belonged to institutional investors.

Nozala Background:



Nozala's
Investments

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Investments:

- Resources
- Industrial &
- Consumer Services

Reunert Background:

REUNERT

REUNERT LIMITED

CBI-ELECTRIC

REUTECH

NASHUA

 **electric**

REUTECH

NASHUA 

INVESTMENTS



Energy cables
Telecom cables
Low voltage
Medium voltage

Communications
Electronic fuses
Radar systems
Solutions

Office systems
Telecommunications
Mobile services
Business systems
Finance

DIVITECH 

DiViTech Set Top Box Capability:

- Digital Migration expertise. (2006)
- Local design capability: (Set Top Box IP, many highly skilled engineers)



REUTECH

- High volume electronics manufacturing capability. (Consumer)

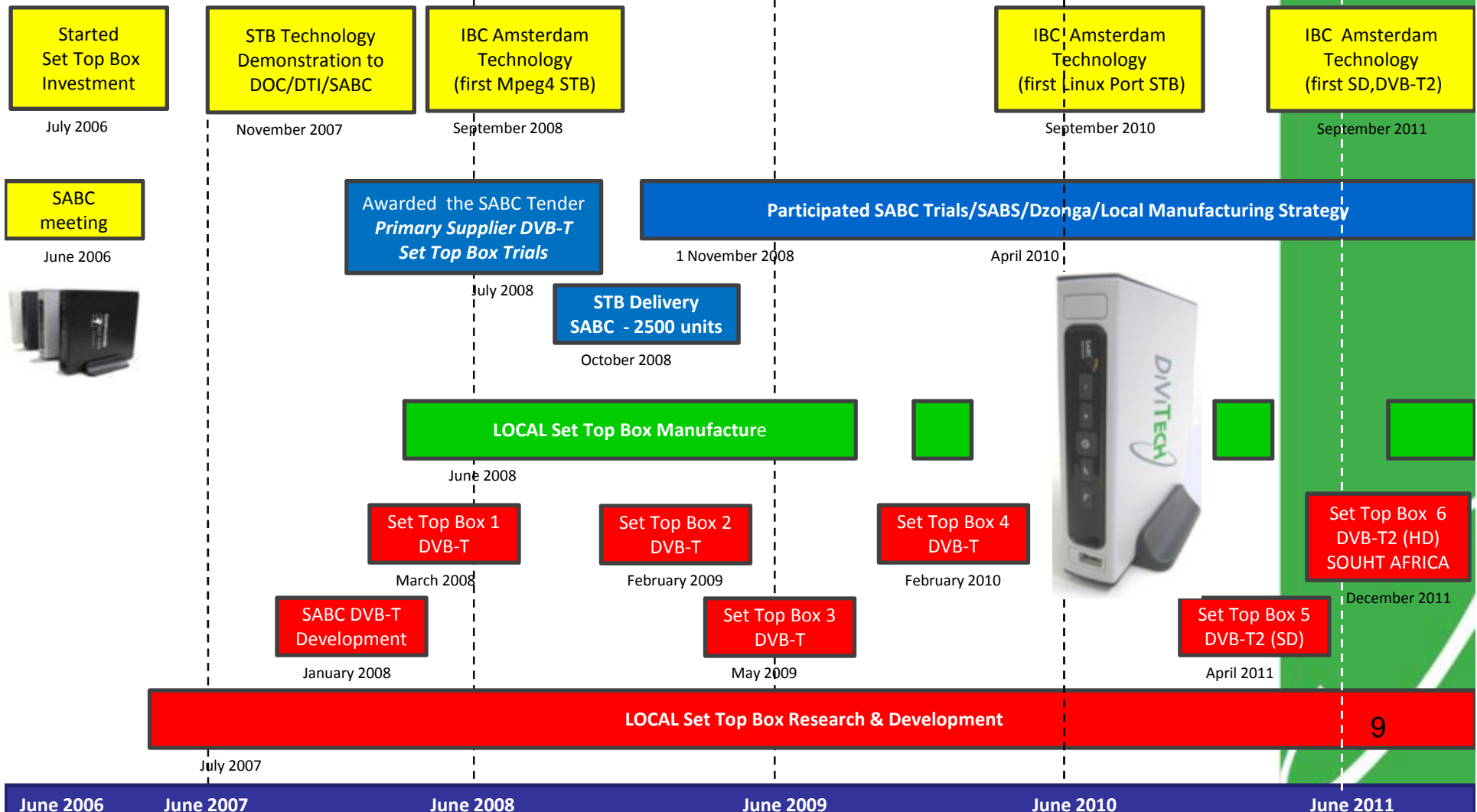


RC&C
MANUFACTURING

- Distribution & product infrastructure/knowledge.
- Leading consumer electronics experience. (Nashua, Panasonic)
- DiViTech Africa Sales & Marketing Network.

DiViTech South Africa Set Top Box History:

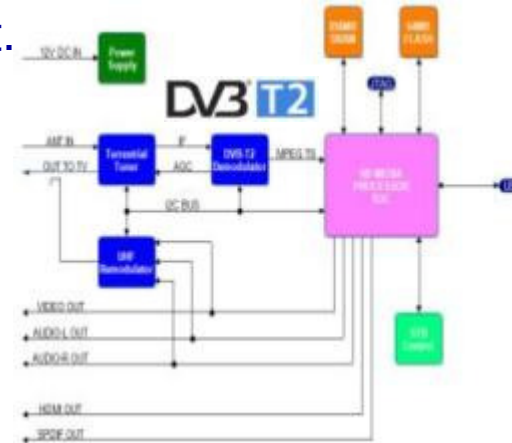
- Strategic Development
- Set Top Box Development
- Local Electronic Manufacturing
- Digital Migration Trials & Government Participation



Set Top Box Technology
“Designed in Africa for Africa”

DiViTech Local Set Top Box Technology:

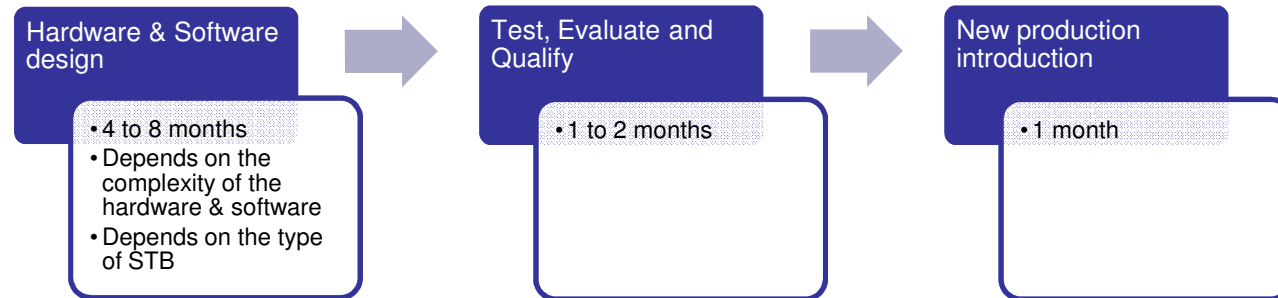
- South Africa Compliant DVB-T/T2 Set Top Box:
 1. SD, DVB-T2 – Cost effective Africa design.
 2. HD, DVB-T2 – SA design – SABS Compliant.
- Designed in Africa for Africa.
- Maximised Local Content.
- Available, Reliable, Affordable.
- Low Power.
- Plug & Play.
- e-Government Software Capable – *Linux*.
- Internet Capability.



Set Top Box Time to market:

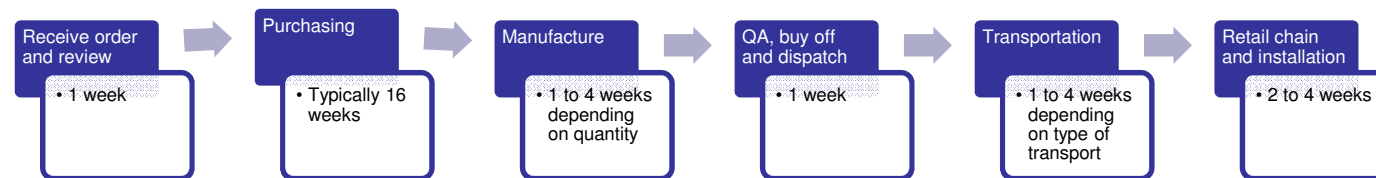


Design and Development, 6 to 11 months



Development Cost: R50m

Manufacture to Installation, 4-6 months



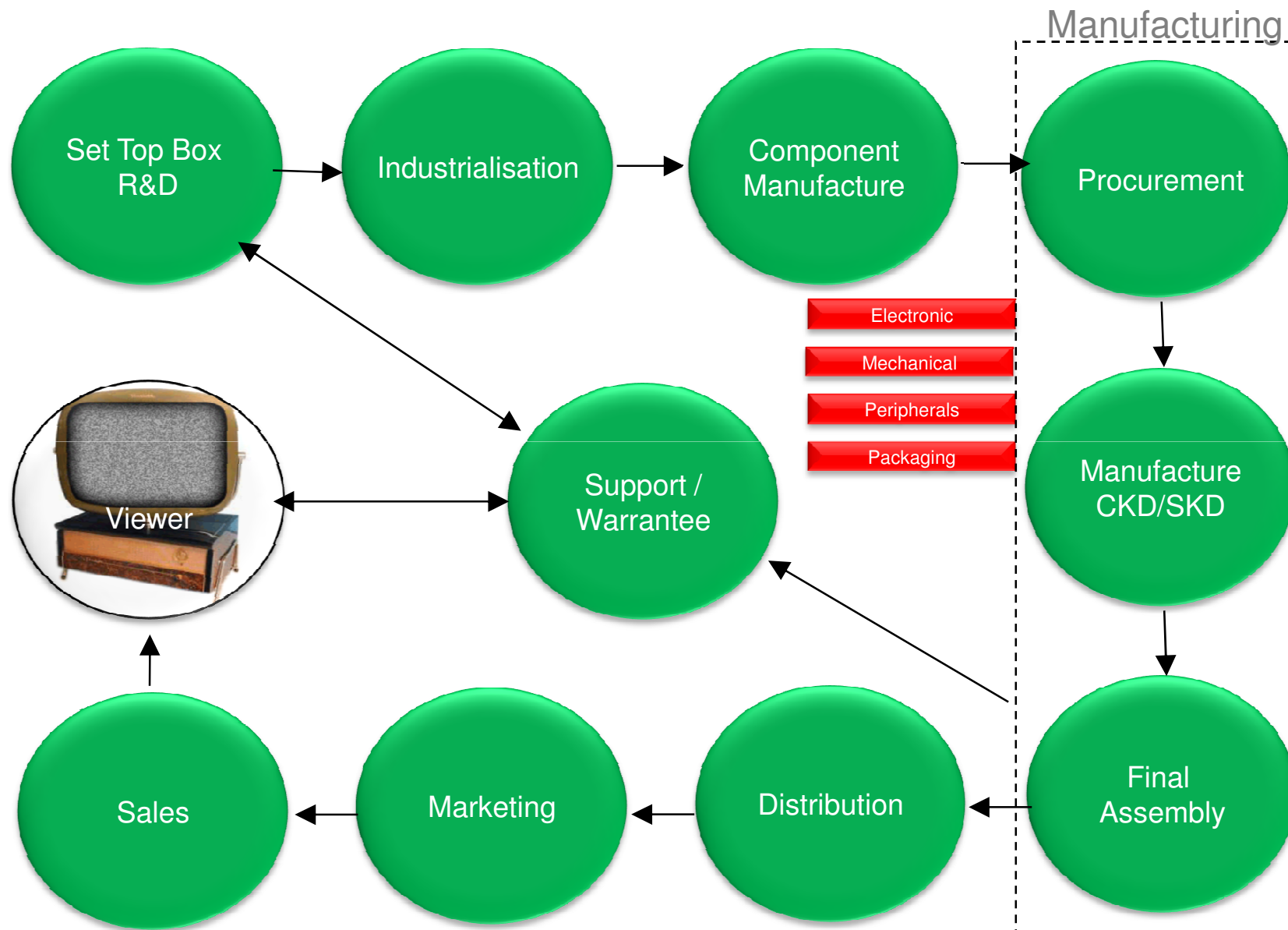
Working Capital: R30m – R100m

Set Top Box Timelines:

- 1. Free to Air Set Top Box (6-9 months)*
- 2. Pay TV Set Top Box (9-12 months)*



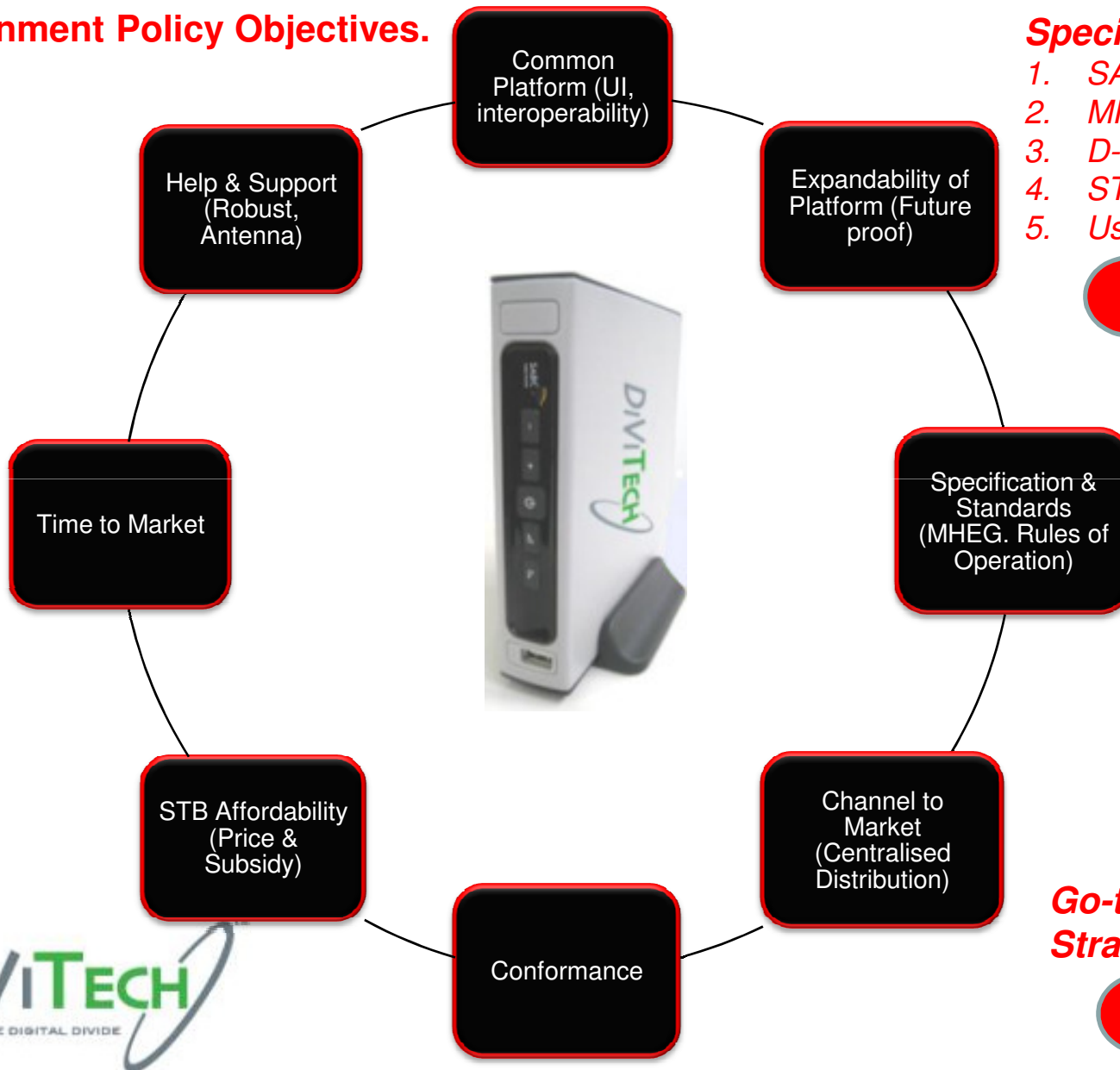
Set Top Box Business Value Chain:



Digital Migration Considerations affecting the Set Top Box:

Government Policy Objectives.

1



Specifications:

1. SABS
2. MHEG
3. D-Book
4. STB Control
5. User Interface

2

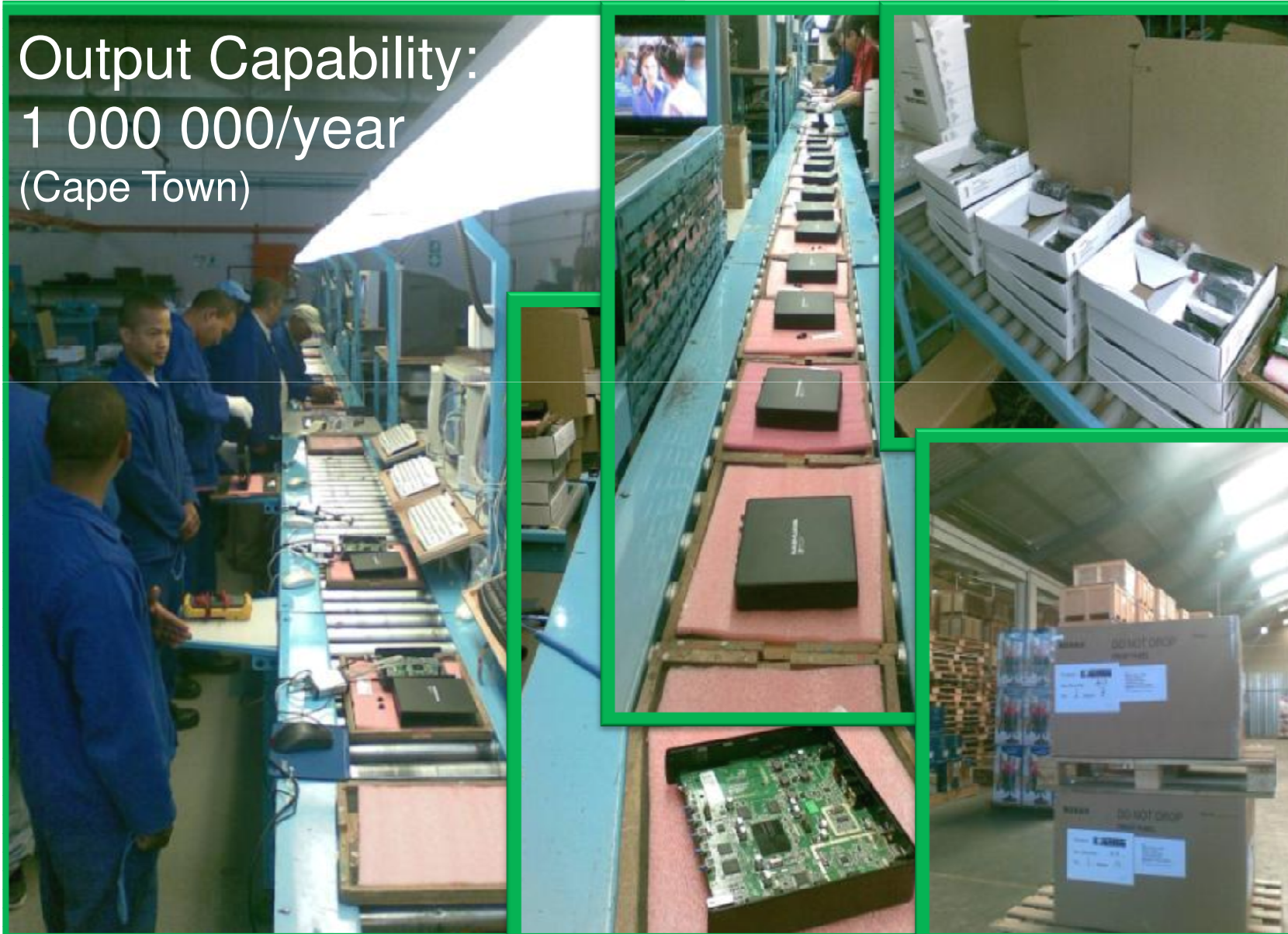
Go-to-market Strategy?

3

DiViTech Local Set Top Box Manufacturing & the Local Electronics Industry

Set Top Box Manufacturing: DiViTech

Output Capability:
1 000 000/year
(Cape Town)



Set Top Box Manufacturing: Is it the bottle neck?

- Procurement
- Manual Assembly
- Final Assembly
- Automated Assembly



Understanding the Electronics Industry:

South Africa High Volume Electronics Manufacturing Industry:

Digital Migration

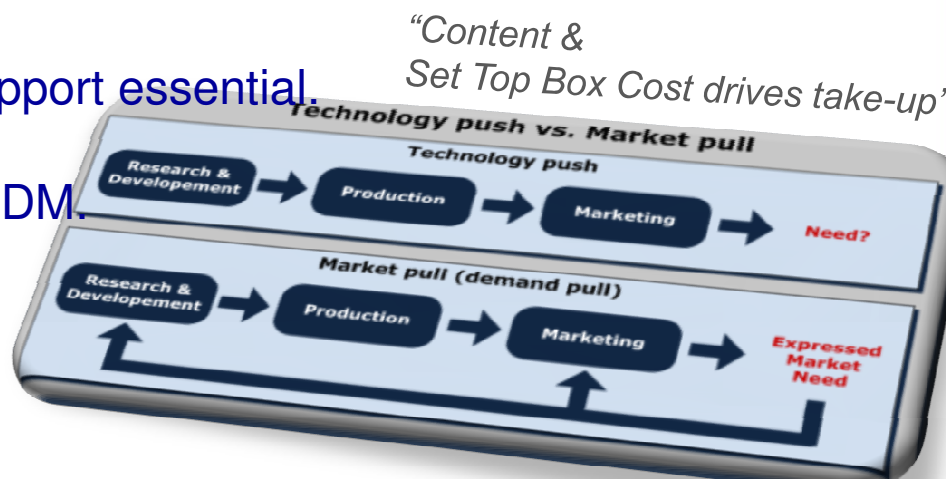
- The Industry has been in decline for 15 years.
- Many Factories have closed over the last 10 years.
Alcatel, Becker Radio, Tedalex, Phillips, Etron, Elprom etc....
- Employment has declined rapidly since 2000.
- DTI, Industrial Policy Plan specifically focus on uplifting the electronics manufacturing sector.
- DOC, Digital Migration Policy document aims to develop a world class electronics manufacturing industry.
- DTI, IPAP 1/2 promote local Set Top Box Manufacture.
- Digital Migration seen as revival of the momentum and innovation in the electronics industry.
- *Already multiple delays... in South Africa*
- *“The Set Top Box window of opportunity is passing by”*



South Africa Market Dynamics & DiViTech Timelines

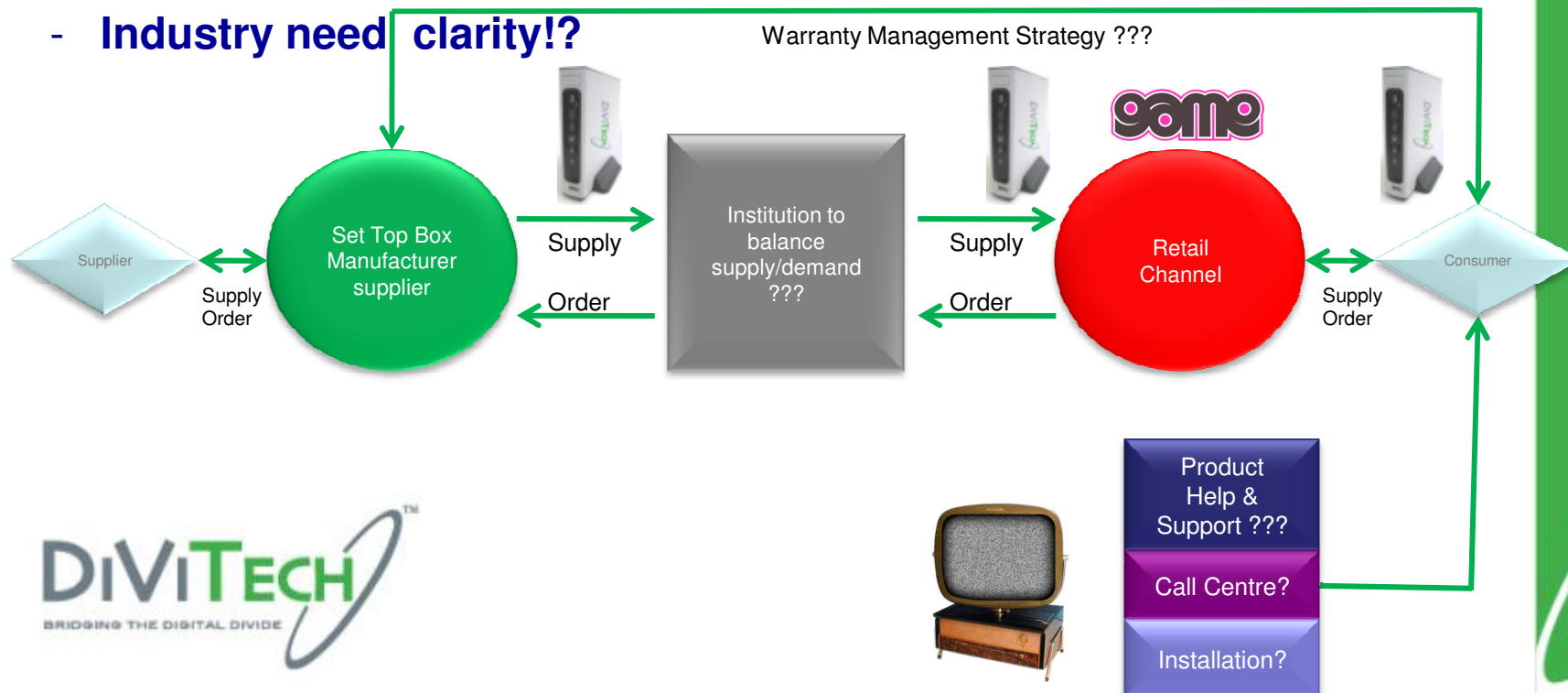
Set Top Box Market Dynamics: *South Africa Facts*

- New market – NO HISTORY.
- Unique Set Top Box requirement for South Africa.
(*Customised Product – not sellable outside of South Africa*)
- Capital Intensive.
- Mass volume product.
- Route to market directly impact on Set Top Box cost.
- Market Stimulant required to kick-start Set Top Box Supply.
 - *Seed Order*
 - *Subsidy*
 - *Other*
- Product Warranty, Help & Support essential.
- Government the catalyst in BDM.

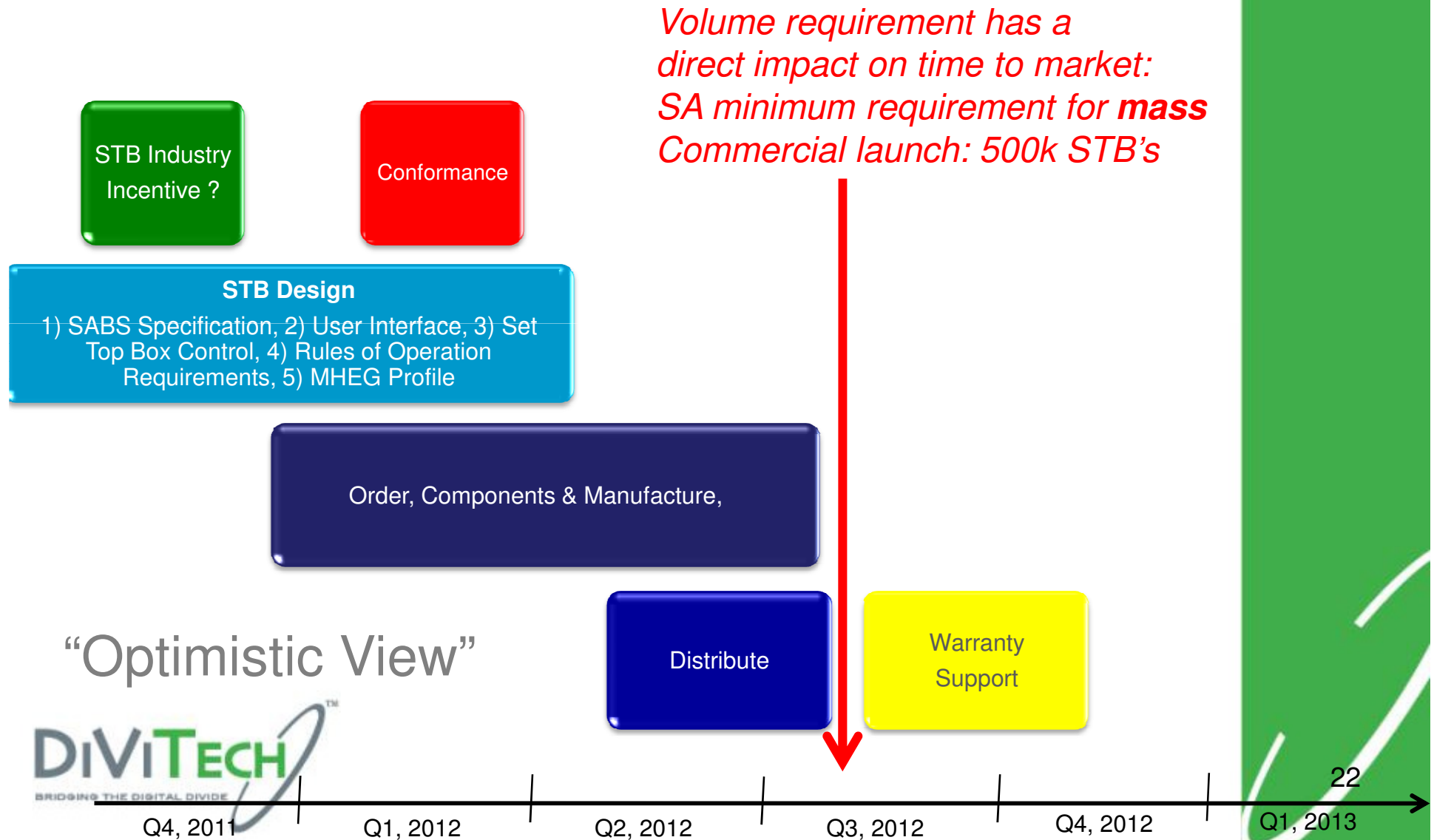


Set Top Box Market Dynamics: ???

- This new market requires Government/Broadcasters intervention to ensure a stable Set Top Box supply.
- Set Top Box **Manufacture** supply lead time: **5 x months from ORDER**
- Distribution model adopted could have a major impact on the Set Top Box Price?.
- Warranty & Product support crucial to Digital Migration success.
- **Industry need clarity!?**



Set Top Box Timeline: South Africa



Set Top Box **Industry** Summary:

- South Africa need to **move quickly** if it wants to build an industry!
- **Local R&D** is key to economic growth.
- The local **industry is capable** of developing a Set Top Box.
- South Africa has **excess manufacturing** capacity.
- It will take between **9-12 months** from Order before Set Top boxes will start flowing into the market.
- **Sustainable STB market** can be achieved only through exports.
- **An *incentive*?** is required to start the STB market.
- Efficient & Effective **Distribution Model** will accelerate take-up.
- **Job Creation** is key and can be achieved through the multiplier effect!



THANK YOU

