New report on 3D in South Africa

PwC has released a report, "3D Here and Now... A goose that lays a golden egg?" that reviews the 3D market and its success in South Africa in films, TV, video games, PCs and mobiles.

Films

Eight of the top 20 grossing films in the first eight months of 2010 were 3D, compared with three in 2009 and one in 2008. These statistics unequivocally confirm the progress of 3D in the entertainment market. Despite the excitement around 3D entertainment, however, industry players run the risk of killing the golden goose by overselling and, in some cases, overpricing the 3D experience.

According to the report, 50-70% of box office revenues are generated by 3D, which has helped the entire industry to increase revenues despite a decline in ticket sales.

"These films generate two to three times the revenue of 2D theatres, giving theatre operators a powerful incentive to change to the new technology," says Vicki Myburgh, South African entertainment and media industry leader for PwC. "Converting from traditional prints to digital is a big expense but once a theatre employs the digital technology, the transition to 3D is relatively easy and inexpensive."

From the studio and audience perspective, more 3D theatres are required to cope with the bottleneck which occurs when too many 3D films are released at once. Industry experts agree that a typical cinema requires a minimum three screens dedicated to 3D. However, some cinema owners are converting all their screens at once because failure to do this could result in falling revenues.

"The reality is that a 3D film must be good to generate strong sales. In the DVD and theatre market, consumers are willing to pay a premium for a superior product and the abundance of less-than-thrilling products can dilute the overall excitement about 3D. Quality 3D films are important to protect the ticket premium, otherwise 3D will be limited to animation and horror movies and remain a niche market."

Television

While theatres and DVD markets are progressing in the right direction, the market for 3D television is less mature. 3D Here and Now, reveals that the success of the 3D television market hinges on four factors:

- the affordability of 3D TV sets;
- the availability of attractive 3D content;

- a sound business model for TV channels; and
- the viability of end-to-end 3D broadcasting.

Despite the fact that the premium consumers pay for a 3D set is not as extreme as the premium paid for HDTV, consumers are not responding to 3D television as quickly. Economic conditions and the relatively recent acquisition of flat screens may explain the lack of customer eagerness for 3D television.

One positive factor for consumers is that fierce competition among manufacturers is driving down the price. Samsung cut prices in 2010 and captured 88% of the market share in the US between March and July, proving that 3D TV sales and home penetration will pick up.

Video games

External gaming experts believe that there is a strong fit between video games and 3D. However, gaming studio executives are more sceptical.

The positive view notes the strong fit between 3D immersion capability and the demand for immersive game play, that many gamers are early adopters of new technology, that there are very limited incremental production costs and that 3D-capable gaming consoles already exists.

The more cautious view emphasises that hardcore gamers are more interested in the story than the technology that accompanies it and the best selling games that dominate the market are not available in 3D.

Sony's Playstation 3 has been upgraded to accommodate 3D, making it the first 3D Blu-ray player. Microsoft's X-box 360 is 3D capable, but this feature has not been marketed yet. Some of the more popular games, such as Gran Turismo 5, Motor Storm Pacific Rift, Wip3out, Pain, Mortal Kombat, NBA 2K11 or Crysis will soon be available in 3D.

The opportunities and possibilities for 3D continue to generate great excitement within the industry, with many companies predicting increased revenues from 3D. However, in their attempts to make money and adopt 3D universally, the industry must ensure that they continue to deliver high quality content. If the quality drops so does the consumers' enthusiasm for 3D and their willingness to pay a premium for the experience.

PC

3D Internet content will develop but its adoption is expected to remain limited to the early-adopter segment. There are 3D-ready laptops already available but the price premium they command limits their market attractiveness.

Mobile phones

There are existing problems with the interoperability among the different standards (a 3D picture captured on one model cannot be displayed on a 3D model from a different manufacturer). The first 3D auto-stereoscopic mobile phones are already available in Japan and will be introduced in Europe and the US shortly. The introduction of 3D portable phone game consoles (such as Nintendo 3DS), released in February 2011 in Japan and scheduled for 25 March in Europe, will boost 3D mobile penetration.