

Who's watching? 3-D TV is no hit with US viewers

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In this Wednesday, June 27, 2012, photo, ESPN coordinating producer Phil Orlins shows a 3-D camera set up used by ESPN 3-D Network coverage at the ESPN X-Games held at the Staples Center in Los Angeles. Only 2 percent of TVs in American homes were able to show 3-D last year, according to IHS Screen Digest. That's about 6.9 million sets out of 331 million installed. (AP Photo/Damian Dovarganes)

Phil Orlins knows everything about producing TV in three dimensions. The ESPN producer has captured the undulating greens of Augusta

National Golf Club in Georgia and the flying motor bikes of the X-Games for ESPN's 3-D channel. But he can only guess how well his shows resonate with viewers. That's because 3-D audiences are so small they can't be measured by Nielsen's rating system.

"The feedback on The (golf) Masters was fast and furious. You could go on Twitter at any moment, and there'd be comments coming in every minute about 3-D coverage," said Orlins while giving a tour of a production truck at this summer's X-Games. "But then you go to some other events where it's pretty quiet."

Orlins' problem is that fewer than 115,000 American homes are tuned into 3-D channels at any one time. That's less than a hundredth of the 20.2 million-strong audience that saw television's highest-rated show "NCIS" this week. 3-D viewership is so small that The Nielsen Co.'s measurement methods are unable to capture its size.

ESPN 3D is one of nine 3-D channels that launched in the years following the late 2009 release of James Cameron's "Avatar." The 3-D blockbuster won three Oscars and ranks as the highest-grossing film of all time, garnering \$2.8 billion at the global box office.

"Avatar" was supposed to change everything. Enthusiastic television executives expected the movie to spur 3-D's transition to American living rooms, boosting sales of new TVs and giving people a reason to pay more for 3-D channels.

That didn't happen.

Only 2 percent of TVs in the U.S. are able to show 3-D programming, according to the most recent data from research firm IHS Screen Digest. That's about 6.9 million sets out of 331 million. After this year's Christmas buying rush, IHS expects the number of 3-D-capable

televisions installed in homes to jump to 19.3 million, mostly because 3-D viewing technology is being built into most new large-screen TVs. But even with the jump, 3-D TVs will amount to less than 6 percent of all sets.

"We've learned with every passing day that we were ahead of the curve further than we thought we were," said Bryan Burns, the business leader for ESPN 3D. "We hit the on-ramp earlier than we realized at the time."



In this Wednesday, June 27, 2012 photo, 3-D TV operator Cody Miles adjusts camera focusing settings for a 3-D production for ESPN 3-D Network at the ESPN X-Games at the Staples Center in Los Angeles. Only 2 percent of TVs in American homes were able to show 3-D last year, according to IHS Screen Digest. That's about 6.9 million sets out of 331 million installed. (AP Photo/Damian Dovarganes)

Why 3-D television hasn't become a national craze is a mystery to some in the industry, considering the wide acceptance of 3-D movies at theaters. But 3-D content is expensive to produce, and as a result there's not a lot of it. Some of the content isn't very good. Some people find the special glasses required for 3-D TV uncomfortable. And many wonder whether it's worth the extra cost.

"It was kind of fascinating to me, but it's not all there," said Tim Carter, a graphic designer in Sarasota, Florida, who bought a large, high-end 3-D TV with other high-end features last year for about \$1,800.

Today, the average 42-inch 3-D television costs about \$900, according to IHS. They contain a high-tech chip and software that translates 3-D video feeds into the right- and left-eye images that create the 3-D effect for people wearing the right glasses. In some cases, special glasses can cost an extra \$50 or so.

Watching home movies on disc requires a 3-D Blu-ray player that can cost another \$120 and each disc set purchase runs around \$27, according to IHS. (3-D movies are usually bundled with other discs.)

While operators like DirecTV and Comcast Corp. don't charge specifically for channels like ESPN 3D, they are generally bundled in packages that require other spending. At DirecTV that means a \$200 high-definition digital video recorder and \$10 per month for HD service. For Comcast, that means a minimum \$65-per-month digital starter package with HD service costing another \$10 a month.

All that for the privilege of watching 3-D at home in your pajamas.

Due to the cost, Carter said he's mainly sampled free 3-D movie trailers provided on-demand by his cable TV company. A trailer for the latest "Transformers" movie didn't make him more enthused. "One of the

robots pops out at you, and it felt forced." "It's not consistent," he said, noting that 3-D effects aren't noticeable much of the time. He said he's not knocking the technology, he's just disappointed with the way it's being used.

Nowadays, 3-D is just one feature on TVs with bigger screens. It is usually grouped with other upgrades that include motion-smoothing technology and light-emitting diodes that are smaller, more energy efficient and display color contrast better than traditional liquid crystal display sets. It's difficult to isolate how much 3-D adds to the price tag of an individual set because of this bundling, but according to IHS the average 42-inch set with 3-D is about \$200 more than a similar-sized one without. Some 3-D TVs, however, can be found for cheaper than others of the same size.

"There's very little direct consumer demand," said Tom Morrod, a TV technology analyst with IHS in London. Some consumers buy TVs which happen to have 3-D, but they don't bother to get the glasses needed to watch them, he said.

"They don't see a value with it. Consumers associate value right now with screen size and very few other features."

Sluggish demand for 3-D on TV has caused programmers to hit pause on rolling out new shows and channels.

In June, DirecTV turned its 24-hour channel, n3D, into a part-time network that only shows special event programming like the Olympics, in part to avoid the heavy use of reruns caused by a lack of new material. Last year, AT&T dropped ESPN 3D from its lineup, saying the \$10 per month cost to subscribers wasn't justified given low demand.

So far, ESPN 3D is the most aggressive network in terms of shooting

original 3-D productions. It has about 140 per year. It also has the widest distribution, according to research firm SNL Kagan, no doubt because popular sports network ESPN includes it in negotiations with distributors. Though few own the hardware to watch the channel, ESPN 3D now pipes into 60 million U.S. homes.



In this Wednesday, June 27, 2012 photo, an unidentified 3-D TV operator checks camera settings for a 3-D production for ESPN 3-D Network at the Staples Center in Los Angeles. Only 2 percent of TVs in American homes were able to show 3-D last year, according to IHS Screen Digest. That's about 6.9 million sets out of 331 million installed. (AP Photo/Damian Dovarganes)

Without extra subscriber fees, it could be difficult to make a big business out of 3-D production, especially because it's more expensive than 2-D. Every 3-D camera set-up requires two cameras. They have to

be mounted on a special computerized rig that aligns them. And someone in a back room has to adjust a knob that determines how cross-eyed the lenses are. That can require twice the manpower for the same camera position, boosting costs when revenues aren't going up very much.

Advertising, the other pillar of the TV channel business, is also hampered because of the lack of audience data.

That has resulted in an odd arrangement. Companies that run advertisements on ESPN 3D, like movie studios, actually have their ads played a second time in 2-D on ESPN and other channels so they can meet their goal of reaching a measurable number of people, Burns said. That uses up 2-D commercial airtime that might have been sold to other customers.

While he wouldn't say if it's profitable, Burns said ESPN 3D is still a revenue-generating business that is "doing well," because of how the network accounts for revenue from distributors and advertisers.

3-D TV is not a complete bust. Burns and others expect that as more TVs are sold with the capability, the more viewership will grow, just like it did for high-definition sets and programs a few years ago.

"It took five years before reporting systems caught up and we knew who actually had the service," Burns said of the launch of HD. "It's not unfamiliar territory to us. We've been down this road before."

For TV signal providers, carrying 3-D channels before they really become mainstream wins them points with their savviest technophile customers, the kind who jumped on the HD bandwagon early —a decade ago.

In many ways, though, the comparison to HD isn't a good one.

Watching 3-D is a problem for about 6 percent of Americans with certain eye problems, according to Dr. Dominick Maino, a professor with the Illinois College of Optometry. They simply can't see in 3-D or suffer dizziness or nausea when watching.

And it won't get the same push that HD got by the hundreds of TV stations that switched to high-definition broadcasts in the last few years. Nor will it benefit from the nation's switch from analog to digital TV broadcasts in 2009.

Another awkward point: some people just don't like 3-D. In a phone survey last November of 1,300 Americans who had seen 3-D TV, Leichtman Research Group found that 38 percent rated it poorly at 3 or below on a scale of 10. That's twice as many as rated it excellently, at 8 or higher.

That's a knock against 3-D that HD didn't have.

"It's one of those examples where seeing isn't believing, thus far," said Bruce Leichtman, president of Leichtman Research. "That's certainly not a great place to start."

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