Optics are getting ready - now MicroLED displays are the next roadblock for the implementation of augmented reality.

**WHAT'S NEW**
- Technology status and trends
- Bill of materials approach to consumer trends: how to trade off on technology to enable a compelling headset
- Shipment volumes and values for displays and optics in market
- Use cases: What is there for the consumer and what should be there? What is the role of OEMs?
- Supply chain and industry establishment

**KEY FEATURES**
- Analysis of key challenges related to AR & VR systems
- Technical analysis of displays and optics for AR & VR, and associated roadmaps
- Analysis of related industrial and technological ecosystems
- Market analysis/forecast for displays and optics
- Analysis of future trends and evolution of AR & VR market landscapes

**REPORT OBJECTIVES**
Understand the status of displays and optics technologies in AR & VR:
- Analysis of future trends and roadmaps for consumer adoption
- Competitive landscape and supply chain:
  - Identify the key players in technology development and manufacturing. Who is taking the lead? Key partnerships
  - Scenarios and impacts for the supply chain

**REPORT MILESTONES**
- Technical analysis of displays and optics for AR & VR, and associated roadmaps
- Key challenges related to AR & VR systems
- Analysis of related industrial and technological ecosystems

**TECHNOLOGICAL DEVELOPMENTS BRING A BRIGHTER FUTURE**
Augmented Reality (AR) and Virtual Reality (VR) have been hot topics for decades. VR has been around for the consumer for some years now, built upon off-the-shelf components. Apart from general improvements, the form factor is being worked upon and we see many developments in microdisplays, including OLED-on-Silicon and microLEDs, alongside pancake optics to be able to deliver a proper pixel density, field of view and form factor.

AR was and continues to be the dream consumer electronics companies want to make real to deliver the long-awaited revolution of replacing smartphones. But as children of the flat panel display industry, we are used to having very high-quality displays all around us. And the image quality that AR has been able to provide so far is not at this level yet. But technology has been improving on all fronts and we are seeing some progress in waveguiding optics and microLEDs that will bring new functionality.

Yole Développement's analysts expect a first generation of headsets to come in soon with a 2021 milestone for reaching a significant volume sold. These will be based on conventional optics with most likely either MEMS or OLED-on-Silicon display solutions. However, for the market to really be enabled, a complete technological paradigm shift is required. In terms of optics, everything revolves around waveguiding technology. For a long time they have been improving and were fighting against the poor optical efficiency they could deliver. From less than 1% efficiency we can now see results that go an order of magnitude beyond that. So much so that, while uniformity needs to be improved, they meet the minimum requirements for Original Equipment Manufacturers (OEMs). Yole Développement (Yole) expects a second milestone around 2023 when the big consumer electronics brands come in with a product that respects the consumer requirement trio of performance, cost and form factor. But one element is still missing at the moment: the display engine. Though efforts are continuing, we have not seen a microLED product yet. MicroLED microdisplays can provide what the other solutions cannot, including brightness, form factor, color and contrast. And all the OEMs are waiting for this opportunity to materialize, as we anticipate its penetration to reach 30% by 2027.

**Augmented Reality market trend – Scenario expectations for consumers**

As it is complex to manufacture a microLED microdisplay at an acceptable cost with a proper level of performance, we can monitor the industry's progress. Many prototypes have been shown over the past 24 months, with different manufacturing paths including red/green/blue (RGB) native colors, color conversion and hybrid bonding. In late March 2020, the Plessey and Vuzix partnership for microLEDs in AR came to an end when Facebook signed an exclusivity deal for Plessey to supply them with microLEDs. This illustrates the interest in the technology and how the supply chain is establishing itself.
In the meantime, we have seen lots of movement from the waveguiding optics perspective. In the past few years, we have seen investments and partnerships including Lumus with Quanta, Digilens with Foxconn, WaveOptics with Goertek and Apple with Akonia. Between reflective, diffractive and holographic waveguides, comes the question of who is going to get the lion’s share. It will all come down to performance and cost. And cost is very much linked to the manufacturing paths taken by the different technologies. Surface-relief grating-based waveguides have been well-known for years now, being the choice of Microsoft or Magic Leap. But poor yields linked to a complex manufacturing process based on nanoimprint lithography led to high costs. This has been improved and now WaveOptics or Dispelix can likely provide waveguides to any OEM, moving from a captive technology towards becoming openly available.

Among Apple, Facebook, Huawei and Samsung, who shall be the first to deliver a sleek design, good performance and decent cost consumer headset? There is little to no doubt that though Apple has everything in-house, all major brands are close and establishing partnerships and deals with all the waveguide and microLED players to reach the consumer.
The glass industry has been working at providing high refractive index wafers to allow for waveguide manufacturing, trying to push and enable the market. Given the projected wafer numbers and associated revenues, were the consumer market to thrive, it would represent a non-negligible part of even the enormous glass business.

But for the consumer market to thrive, it is about more than just the hardware and providing a high-quality image in something that looks like a regular pair of glasses. If the end-result simply consists of putting a smartwatch screen in front of the eye, this is probably not compelling enough. Much like VR, there is a need for a real disruption in the use case. That is why we expect the OEMs to come in with a proper proposition to really kickstart the market. As the history of the smartwatch shows, we think the adoption curve for AR will follow the same path, with first early products maybe not providing compelling performance and use case, until a big gun jumps in. As an example, Apple seems like a good candidate for that: they have the microLED effort, the waveguide effort, the application effort with ARKit and also the 3D sensing effort. As they progressively integrate some of these technologies in their newer products, they can raise awareness about AR, preparing the consumer for when everything is ready for a headset. And perhaps we’ll see that by 2023.

COMPANIES CITED IN THE REPORT (non exhaustive list)


TABLE OF CONTENTS (complete content on i-Micronews.com)

Executive summary 20
Context 44
AR & VR market forecasts 62
> Headset volumes
> AR: number of headsets, number of headsets per use case, optics technology penetration rates, optics technology penetration rates for waveguides, optics technology lens numbers, optics technology lens values, high refractive index wafer numbers, high refractive index wafer values, display engine penetration rates, microLED penetration rate, display engine numbers, AR: display engine values
> VR: number of headsets, number of headsets per segment, display penetration rates, display numbers, display values

AR market trends 81
> The dream of the consumer market
> The potential of AR markets
> What does the consumer want? Why does the consumer want it?
> AR use cases

AR technology trends 161
AR outlooks 218
VR market trends 220
VR industry 241
VR technology trends 253
VR outlooks 287

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Founded in 1998, Yole Développement (Yole) has grown to become a group of companies providing marketing, technology and strategy consulting, media and corporate finance services, reverse engineering and reverse costing services. With a strong focus on emerging applications using silicon and/or micro manufacturing, the Yole group of companies has expanded to include more than 120 collaborators worldwide covering MEMS and Image Sensors, Compound Semiconductors, RF Electronics, Solid-state Lighting, Displays, Software, Optoelectronics, Microfluidics & Medical, Advanced Packaging, Manufacturing, Power Electronics, Batteries & Energy Management and Memory.

The “More than Moore” market research, technology and strategy consulting company Yole Développement, along with its partners System Plus Consulting, PISEO and Blumorpho, supports industrial companies, investors and R&D organizations worldwide to help them understand markets and follow technology trends to grow their business.

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