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## Are Toshiba's Price Cuts HD DVD's Swan Song?



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[TechNewsWorld](#)  
Part of the ECT News Network  
01/15/08 4:00 AM PT

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"I view this as Toshiba's last run at making this thing a go," said Adrienne Downey, a senior analyst with Semco Research. "I don't see it as, 'we need a sale to gain market share' -- they tried that before Christmas," Downey explained. "They did sell a lot of players, but this is their executives sitting

down after the Warner announcement and saying, 'we need to do something, because we're losing money.'"

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When [Warner Bros.](#) Entertainment moved all its high-definition eggs into the Blu-ray basket a week and a half ago, tremors could be felt throughout the digital entertainment world.

HD DVD champion [Toshiba](#) canceled a press event in response, and all eyes fell on Paramount and Universal, the last major movie studios still committed to HD DVD.

Now Toshiba has announced major price cuts on all three models of its next-generation DVD players, along with new promotional campaigns touting HD DVD. The question now on many minds is, do these latest efforts stand a chance, or is this the end of the game?

### And Then There Were Two

HD DVD and Blu-ray Disc, the latter of which is backed primarily by [Sony](#) (NYSE: SNE), are competing to be the high-definition format that replaces today's current DVDs. Both are designed to offer better quality than traditional DVDs, and each has won support from different camps in recent months.

Among the major movie studios, Blu-ray has a tremendous lead, as it is supported by Columbia, [Disney](#) (NYSE: DIS), Fox, Lions Gate, Miramax, New Line and, most recently, Warner, which had previously supported both standards. Paramount (along with sister studio DreamWorks) and Universal are now the only remaining major-studio supporters of HD DVD.

Recent reports, however, suggests that Paramount is considering switching to Blu-ray, taking yet more wind out of HD DVD's sails.

"Paramount's decision last summer to support HD DVD gave the format some momentum, but what I'm hearing is that there's a loophole in Paramount's 18-month contract with the HD DVD format so that it can get out of it," Chris Roden, research analyst with [Parks Associates](#), told TechNewsWorld.

Rumors suggest Universal may be thinking along similar lines, Roden added.

Neither Paramount or Universal could be reached for comment.

### **'Toshiba's Last Run'**

It is in the wake of such reports that Toshiba's Monday price cuts, bringing the price range on its line to US\$149.99 to \$299.99, strike some as a last-ditch effort to save the HD DVD format.

"I view this as Toshiba's last run at making this thing a go," Adrienne Downey, a senior analyst with Semico Research, told TechNewsWorld.

"I don't see it as, 'we need a sale to gain market share' -- they tried that before Christmas," Downey explained. "They did sell a lot of players, but this is their executives sitting down after the Warner announcement and saying, 'we need to do something, because we're losing money.'"

The price cuts might have made a difference if Toshiba had made them during the holidays, but now they're too little, too late, Rob Enderle, president and principal analyst with the Enderle Group, told TechNewsWorld.

"Price cuts won't do it now," Enderle said. "If they had been made during Christmas, Warner might have gone the other way. But Toshiba was focused too much on making money on these players, not realizing that they were in a life-and-death battle for their format."

### **'The End of HD DVD'**

A life-and-death battle it was, however -- and it may finally be nearing its end.

"Warner's announcement pretty much put in motion the downfall of HD DVD," asserted Roden. "You probably won't see a formal announcement for another month or two, but I think this signals the end of the HD DVD format."

Others agree.

"What really destroyed HD DVD was how they responded to Warner's announcement," Enderle said. "That news completely blind-sided them."

Then, at the Consumer Electronics Show last week, "the HD DVD booth was like a morgue, while the Blu-ray booth was getting a lot of traffic," Enderle added. "I think it's very broad that they're done, and it will be hard to change that now."

It was "kind of sad" at CES, Roden agreed. "You got the sense that they understood the writing was on the wall."

HD DVD has lost its momentum, Downey added. "I feel bad for Toshiba, because it will lose some serious money," she said. "In the end, though, I think it's best for consumers and the industry in general if this ends quickly."

### **The Download Factor**

With the prospect of digitally downloadable movies on the horizon, the question has been raised as to whether a new DVD format is even necessary.

"Blu-ray won, but I'm not convinced it will ever take hold," Enderle asserted. "Upscaling DVD players is a great way to sit it out until the downloads show up."

People have been saying for several years that downloads are imminent, countered Downey. "I don't think we



have enough bandwidth yet or the Internet infrastructure to make it a reality soon. I really don't think that's going to affect the five-year outlook."

### 'We're Pretty Much Done'

Even when downloads do become widely available, there may still be demand for physical media, Roden added.

"I think there will always be a market for physical, tangible media for people to use," he explained. "Digital downloads will probably end up one of the primary ways people can acquire media, but in the next four to five years, tangible players will still be the primary method."

This, then, may be the historic moment in which a battle draws to a close.

"There's always the chance for a miracle," Enderle said. "HD DVD still has [Microsoft](#) (Nasdaq: MSFT)   in its camp, and [Microsoft](#) probably owes them more than one favor.

"But it would be tough," he concluded. "Unless that miracle happens, I think we're pretty much done." 

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