

Analyst Declares Blu-Ray the Winner

By Jay Wrolstad

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The highly touted next-generation DVD technology has not yet found its way into consumers' living rooms, and the battle between the two competing formats continues unabated, but one analyst has seen enough to declare a winner already.

On the basis of her observations at the recent Consumer Electronics Show, as well as recent developments concerning high-definition, digital-video hardware and content, Adrienne Downey, senior analyst at Semico Research, contends that Blu-Ray will dominate its rival, HD DVD.

"It's time to put a stake in the ground regarding the future high-definition DVD format: Blu-Ray has won," Downey wrote in a recent Semico newsletter. "Walking around CES, it was obvious that much of the enthusiasm and momentum is on the Blu-Ray side."

#### Support Provides Momentum

In an interview, Downey said that in comparing the devices on display at the electronics showcase, and the positive spin surrounding Blu-Ray, that format has a decided edge.

"The support for HD DVD is minimal, in comparison. And Blu-Ray has a technical advantage as well because it offers greater storage density," she said, noting that the Blu-Ray disc can scale up to 200 GB over time. "HD DVD can't match that scalability," said Downey.

Blu-Ray is supported by Sony, Dell, LG, Panasonic, Samsung, and a host of other consumer-electronics and computer companies, Downey noted, in addition to most of the major Hollywood studios. HD DVD, on the other hand, is supported by Toshiba, NEC, Sanyo, and the DVD Forum. Warner and Paramount are the major studios committed solely to HD DVD at this time.

Sony has promised to provide Blu-Ray technology in its next-generation PlayStation 3 gaming console, which will give the format even greater momentum.

#### The Microsoft Factor

At the Consumer Electronics Show, both camps announced players, movie offerings, PC drives, and, of course, blank media -- all to come out at some point this year. The introduction of the new technology initially was delayed while the specs for a digital-rights management system for both formats was finalized.

Toshiba announced at the show that it will ship HD DVD products in March, including a \$499 player. Players were announced by the Blu-Ray camp as well. These will be introduced, beginning in April, for prices ranging from \$1,000 to \$1,800.

In going out on a limb in declaring Blu-Ray the winner, Downey did issue a caveat. The backing of HD DVD by Microsoft and Intel is significant, she noted, with Microsoft announcing a forthcoming external HD DVD for the Xbox 360 and support for the format in the Vista operating system.

"However, it's too little, too late; the inclusion of an internal drive would have had far more impact, but they chose not to delay the release of the 360 until the specs were finalized," said Downey. "Microsoft may also decide to support both formats."

#### Too Early To Tell

Others are not so quick to take sides, given the stage of the format war. "It's way too early to declare a winner," said Yankee Group analyst Michael Goodman. "There most likely won't be any products making an impact on the market for two or three years."

Goodman suggested that both parties could end up being losers. "You have to consider the delivery of video over the Internet, and pay-per-view services that are also available," he said. "It will take a while before the high-definition video hardware is out there, and if Microsoft does well with the Xbox 360, there could be a lot of HD DVD players being sold."

Goodman acknowledged that Blu-Ray is currently in a strong position. "But the battle will continue as long as there are competing formats," he said.