

The Demise of HD-DVD: A Lesson for Us – Part 2

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In the first part of this article, we noted that Sony had learned from its previous Betamax lessons and went on to forge strong alliance and partnerships early with manufacturers, contents producers, and retailers. Let's now take a closer look at who Sony had lined up on its side to push HD DVD off the market.

Strong alliances make the day

To make sure that there are enough manufacturers to meet consumer demand, Sony managed to bring to its camp, large and international CE manufacturers including Dell, Hewlett Packard, Hitachi, LG Electronics, Mitsubishi Electric, Panasonic (Matsushita Electric), Pioneer, Royal Philips Electronics, Samsung Electronics, Sharp, Sony, TDK and Thomson.

For contents, besides Sony-affiliated movie studios Sony Pictures Entertainment and Metro-Goldwyn-Mayer, the Walt Disney Company and its home-video division Buena Vista Entertainment, together with video gaming powerhouse Electronic Arts and Vivendi Universal Games, both came out to support Blu Ray format. By incorporating Blu-Ray player into Sony's PS3 that since sold more than 1 million units, it is not too difficult for Sony to get movie producer, Warner Bros to switch side.

At the retail front, Sony also managed to convince Wal-Mart, Best Buy and Netflix to retail only Blu-Ray video.

While contents, manufacturing and distributions are probably the deciding factors for Sony to win the video format war, there are other considerations that cannot be ignored.

Consumers dislike uncertainties

Earlier we mentioned that as part of Sony's overall strategy, the company has incorporated Blu-Ray player into its PS3 console. While this has obviously jacked up the price of the PS3 game console, it has flooded the market with over 1 million units of relatively inexpensive Blu-Ray disc players for avid video gamers.

Another reason could be the more consumers friendly Region Coding adopted by the Blu-Ray camp. Currently, the DVD world is divided into 6 major geographical regions with 2 additional regions reserved for specialized use. For instance, Region 1 covers USA and Canada while Region 6 covers China alone. Region 7 is reserved for unspecified special use and Region 8 is to be used for cruise ships, airlines, etc.

For Blu-Ray discs, only 3 regions are used; namely Region "A" comprising US, Japan, Latin America and East Asia (excluding China), Region "B" includes Europe, Africa, Australia and New Zealand and Region "C" covering China, Russia and remaining countries.

On the other hand, while region coding is not part of HD-DVD specifications, there were various talks that Toshiba could be introducing region coding subsequently. This is despite the fact that HD-DVD discs and players that were released to-date are not region coded. Somehow consumers do not like uncertainties and are concerned that in the future when HD-DVD becomes popular, Toshiba and their alliances will decide to encode HD-DVD and impose restriction via the player firmware.

More is better

Back in the 1980s, one of the reasons that Betamax had failed to consider is that recording time for its tape format. The difference of 1 hour between the initial Betamax and VHS specifications was big deal in the past when consumers are concerned. The reason was simple, a full-feature movie is often more than 1 hour and Betamax recorder just cannot record the entire movie in one tape.

However, things are supposed to be different now. The dual-layer HD-DVD and Blu-Ray disc can store up to 30 GB and 50 GB of data respectively and these discs can easily store full-length movies, uncompressed audio, special features and still have some spare storage space.

Nonetheless, consumers often believe that if there is something extra which in this case, the additional 20 GB on Blu-Ray disc, they assume they are probably going to use it some time in the future.

The Aftermath – Victory for Sony and concerns for consumers

Just when Sony and its alliance are celebrating the victory of the DVD Format War, Toshiba is forecasting to take a US\$986 M hit in 2008 due to its ill-fought HD-DVD campaign.

For the consumers, there is now less confusion as there is only one single high definition format to consider when buying a new high-definition DVD player. While this is good news; it also means consumers have less choice which translates into less competitive pricing than before. During the DVD Format War, both camps were pushing out new players with more features at lower prices. This brings to us another question – with a single format for the industry; will there be less technical innovation going forward?

Another loss for the consumers is that unlike Blu-Ray players, all HD-DVD players including the earlier ones implement the same required specifications regardless of price level: dual video and audio processing, Internet accessibility via Ethernet, and the ability to read Dolby TrueHD and DTS-HD off the disc. On the other hand, those who have purchased Blu-Ray players will know that while Sony and its alliances are committed to eventually provide same hardware features for all their players, the earlier release had immature format resulting in three classes of Blu-ray Disc players: Profile 1.0, 1.1, and 2.0.

While the Blu-Ray camp now takes centre-stage, there are many uphill tasks for the group: lowering of prices for players and discs, resolve inconsistent disc playback capabilities, and its current three-tiered hardware specifications. If these issues are not addressed soon, Blu-ray could end up remaining a niche product, such as Laserdisc, which held on in the background behind Betamax and VHS for 15 years, before the arrival of DVD format.

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