By Sue Zeidler
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LOS ANGELES (Reuters) - Hollywood is hoping high-definition DVDs will reignite a slowing market for movies at home, but they have drawn mixed reviews from retailers and analysts due to technical issues and a bitter format war.

The competing formats, Sony Corp.-backed (6758.T) Blu-ray and Toshiba Corp.-championed (6502.T) HD-DVD, aim to provide better picture quality and interactive features, but some early viewers have been underwhelmed.

"Neither format is selling well or at the level I had expected. I had expected early adopters to step up and other retailers have had the same experience," said Bjorn Dybdahl, president of San Antonio, Texas-based specialty store Bjorn's.

One format is expected to win, just as VHS ultimately triumphed over Betamax in the video standards war. Blu-ray was tapped by many experts prior to launch as the likely victor due to its heavier studio support.

But since Samsung Corp. (000830.KS) rolled out the first Blu-ray player, priced at $1,000, in late June, Blu-ray has faced complaints of sub-par picture quality on discs, talk of component shortages for players and other technical issues.

"High expectations were set. At every meeting with Sony, every demonstration was spectacular," Dybdahl said.

"Then along comes the first Blu-ray player from Samsung and that's when my expectations were hurt. When we put the disc in, all the sales people looked around and said it doesn't look much better than a standard DVD," he said.

Nonetheless, high-definition players and discs have gotten high scores from various retailers and product reviewers.

A spokesman for Samsung Electronics America declined to comment, and Sony
Pictures Home Entertainment said it has not received any complaints from distributors regarding its discs.

Many experts in the DVD industry said unremarkable picture quality on some early Blu-ray releases was due to studios' decisions to encode titles in the MPEG-2 compression format instead of the VC-1 format used for many HD-DVD titles.

Walt Disney Co. (NYSE:DIS - news) and other studios plan to release Blu-ray titles in the MPEG-4 format soon, which a Disney spokesman said can improve picture and sound quality.

But Andy Parsons, a Blu-ray spokesman, said it is wrong to assume MPEG-2 cannot produce a high-quality picture.

"Often, it has something to do with source material. Sometimes the film itself is shot in a way that may emphasize a grainy look as opposed to a sharp picture," he said.

LOWER PRICED HD-DVD

Toshiba launched in April its first HD-DVD players, priced at about $500, and its lower pricing gave HD-DVD an initial lead in unit sales. Research company NPD Group said HD-DVD player unit sales were 33 percent higher than Blu-ray player unit sales in their respective first six weeks on the market.

Analysts expect greater consumer interest overall as more players and titles become available in the autumn. But this week, Web sites and industry sources raised concerns about a shortage of blue laser diodes, components featured in the optical drives of HD-DVD and Blu-ray players.

"There's a finite amount of diodes out there, and there's a lot of speculation that it's going to affect the rollout," one industry executive said.

Both HD-DVD and Blu-ray backers said delivery schedules remain unchanged.

Another concern relates to whether the Blu-ray camp can deliver a 50-gigabyte disc, which it touted as a selling point over the 30-gigabyte HD-DVDs because it would enable the storage of more movies and special features. To date, all the Blu-ray title releases have had a 25-gigabyte capacity.

"Sony and its colleagues have done a masterful job in lining up support from the entire motion picture and the consumer electronics industry," said Warren Lieberfarb, a media and technology consultant and former president of Time Warner Inc.'s (NYSE:TWX - news) Warner Home Video.

"The big unknown is when will there will be a 50-gigabyte Blu-ray disc that can be mass-manufactured," said Lieberfarb, who is often called the "father of DVD."

Don Eklund, of Sony Pictures Home Entertainment, says plans are on track regarding the 50-gigabyte discs.

"We're planning one or two (50-gigabyte) releases this year and next year I'd expect it to ramp up dramatically," he said.

Twentieth Century Fox, a unit of News Corp. (NYSE:NWS - news), said on Thursday it would release "Kingdom of Heaven" on a 50-gigabyte Blu-ray disc in November.