Battle rages for HD movie supremacy

But costs, incompatibility keeping consumers away

By Hiawatha Bray, Globe Staff | October 30, 2007

Greg Kushmerek of Jamaica Plain likes high-definition television so much, he custom-built a computer just to record HD versions of his favorite shows and play them back in his home theater.

But he refuses to rent or buy high-definition disks of the latest Hollywood films.

Kushmerek won't spend a dime on a high-definition DVD player because he can't be sure that the system won't soon become obsolete.

In a replay of the Betamax-VHS war that plagued the early era of home videotape machines, the consumer electronics industry has served up two incompatible systems for high-definition movie disks. A consortium that includes Microsoft Corp. and Japan's Toshiba Corp. is backing a system called HD DVD, while a group dominated by Sony Corp. developed the rival Blu-ray system.

Kushmerek, 39, a senior technical trainer at The MathWorks in Natick, said he wants no part of the HD DVD vs. Blu-ray battle until the industry settles on a unified standard used by all studios because the losing systems will "ultimately turn into glorified door stops."

Kushmerek has lots of company. Research firm Adams Media Research Inc. of Carmel, Calif., says 35 percent of US households will have an HDTV set by the end of 2007, up from 28.6 percent last year. But a survey from Forrester Research in Cambridge found that less than 10 percent of people with HDTV sets have a high-definition video player. It's partly due to prices that can reach $500 or more. But the slow uptake of the new video players is also due to sheer confusion.

The Forrester study found that more than one-fourth of HDTV owners won't buy a high-definition movie player until there's a single standard. A roughly equal number said they'd buy a "combo" player that can show both types of movies. Korean company LG Electronics sells such a player, and Samsung Electronics will soon offer a competing product. But both are priced around $1,000, and the survey found that consumers only want to pay around $200 for a movie player.

There's no prospect that the format war will end soon. The electronics behind the two high-definition systems are so different that creating a technical compromise is nearly impossible. And neither side is interested anyway. After all, movie and TV companies pay royalties for the right to issue disks in a particular format. The revenues could run into the billions over the years, and the consortiums that control HD DVD and Blu-ray each want as much as they can get.

"This has been a very, very ugly market," said Forrester analyst J.P. Gownder. He thinks the ugliness will continue for some time, because neither camp has much interest in compromise. A couple of years ago, Gownder and his colleagues predicted Blu-ray would simply crush HD DVD to become the de facto standard, in the same way VHS wiped out Betamax. But that prediction was based on Sony's decision to put a Blu-ray player in its PlayStation 3 living room gaming console. Industry specialists predicted the PS3 would be a massive hit, and give Blu-ray an unbeatable edge.

Instead, the PS3 has suffered from mediocre sales, partly because it was priced from $500 to $600 - far higher than rival game machines from Microsoft Corp. and Nintendo Co. As a result, only about 1.75 million PS3s are presently in US households, according to data from the NPD Group.

The PS3 effect has at least ensured there are more Blu-ray players in the United States than HD DVD players. Tom Adams of Adams Media Research expects solid growth in PS3 sales this Christmas, partly due to a price cut. Sony recently said it will sell a $400 version in the United States for the holidays.

As a result, Adams said, there'll be 4.1 million Blu-ray players in American homes by year-end, compared to 900,000 HD DVD players. But he adds that the number is deceptive, because "gamers are gamers. They're not movie fans."

Adams said Americans will buy about $186 million in Blu-ray disks this year, compared to $91 million for HD DVD disks - a 2-to-1 advantage for Blu-ray, but hardly overwhelming since the total market is still so small.

Because HD DVD is an extension of existing DVD technology, it costs less to make the players. As a result, prices of HD DVD machines are falling fast. Retailers are already selling HD DVD players for $249, and Kevin Collins, the director of HD DVD evangelism at Microsoft, said $200 players will be in stores this holiday season.
HD DVD got another boost from Universal Pictures. That studio used to release movies in both HD DVD and Blu-Ray. But in August, Universal said it would exclusively use HD DVD. So movie fans who want to buy high-definition videos of hits like "Shrek the Third," "The Bourne Ultimatum," and "Transformers" will need an HD DVD player.

But the Blu-Ray camp also has plenty of firepower. There's lots of exclusive content from Sony, MGM, Disney, Lionsgate, and Fox. If you want the high-definition video of, say, "Spiderman 3," you'll need a Blu-ray player. Video rental chain Blockbuster Inc. plans to offer only Blu-ray disks in its retail stores, though customers will be able to get HD DVD disks by mail. (Netflix offers both formats.) And retailer Target Inc. says it will carry only Blu-ray stand-alone players in its stores this holiday season. Target will continue to sell an HD DVD add-on player for Microsoft's Xbox 360.

Meanwhile, there's even a third high-definition disk technology headed for retailers this fall. Developed by New Medium Enterprises Inc. of London, the HD VMD format starts with standard DVD technology but adds up to eight data layers per disk. That provides up to 40 gigabytes of data per disk, enough for high-definition movies. HD VMD players are expected to cost around $150. But there'll be few movies to watch. New Medium has gained no traction with the big Hollywood studios, although producer-director Mel Gibson has agreed to distribute his movies on HD VMD disks.

Even as the high-definition disk wars rage, Forrester's Gownder warned "It's possible this market might never actually take off at all."

Gownder noted the growing popularity of movie downloading over the Internet, driven by high-speed broadband services and computers with huge hard drives to store lots of video.

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