Blu-ray gets no victory parade

Sony may have won the DVD format war, but high-definition player sales are stalled.

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Blu-ray won the high-definition format war, but now it's battling for consumers.

Sales of Blu-ray players dropped 40% in February from January, rebounding a scant 2% in March, according to a report released Wednesday by NPD Group.

The research firm blamed the decline on lack of consumer interest. But manufacturers say the abrupt end to the format war uncorked a demand they couldn't meet.

Most companies had expected demand for high-definition players to be modest while Blu-ray, which primarily is backed by Sony Corp., battled a competing technology called HD DVD, championed by Toshiba Corp. and Microsoft Corp., said Andy Parsons, a spokesman for the Blu-ray Disc Assn.

But when Toshiba abruptly threw in the towel Feb. 19, "many manufacturers were caught unprepared for the rather sudden end of the format wars," Parsons said. "We suddenly had high demand and a supply constraint, and we're just now beginning to recover. Many players are still on back order."

Parsons noted that his own company, Pioneer, had sold out of its high-end Blu-ray player, which retails for about $1,000.

Hollywood studios are betting on high-definition discs to drive revenue growth as DVD sales begin to slow. Their hope is that consumers, lured by the promise of crisper pictures on their big-screen high-definition televisions, will adopt the technology and perhaps even replace their DVD collections.

Dorinda Marticorena, senior vice president of marketing for Warner Home Video, said hardware sales for the first quarter were up fifteenfold from a year ago.

Retailers are "out of stock and back orders can be as much as 45 days, depending on the manufacturer," Marticorena said. "That's a key part of the issue here. There is still very much strong consumer interest, but they just can't get their hands on players."

A spokeswoman for the nation's largest retailer, Wal-Mart Stores Inc., confirmed that the supply of Blu-ray players was tight in its stores because of industrywide supply constraints. She said this might explain NPD's sales numbers, "more than interest."

She promised customers "a new assortment of choices" -- with new prices -- in the coming weeks.

Buyers might not have been able to lay their hands on a player, but that hasn't stopped them from buying Blu-ray movies. First-quarter sales of the high-definition discs were up fivefold compared with the year-earlier period, according to a consortium of manufacturers and studios called DEG: the Digital Entertainment Group.

NPD analyst Ross Rubin has a different explanation for the drop in Blu-ray player sales.

"When Blu-ray was fighting HD DVD, that was a battle of passion," Rubin said. "Now Blu-ray is fighting a battle of apathy in which most consumers are either unaware of Blu-ray or have yet to be convinced that it's a better format than standard DVDs."

Rubin said NPD surveyed consumers late last year, and "an overwhelming number
of them said they weren’t investing in a new next-generation player because their old DVD player worked well.” He added that consumers also felt that “next-generation players were too expensive. It’s clear from retail sales that those consumer sentiments are still holding true.”

A limited number of titles on the Blu-ray format, in addition to the cost, might also be hampering sales, analysts said.

According to the Blu-ray Disc Assn., there are only about 520 movies on Blu-ray, which typically retail for $29 to $39. The Blu-ray version of “Juno,” for example, sells for $27.95 on Amazon.com while the standard DVD goes for $15.99.

The NPD figures, however, don’t reflect sales of Sony’s PlayStation 3 game console, which has a built-in Blu-ray player. Sony said it had sold more than 10 million PS3s worldwide since the console’s launch in November 2006.

Marticorena said gamers were increasingly using their PS3s to watch movies. Warner’s surveys indicate the device is used as a movie player about a quarter of the time, she said.

Some analysts caution against reading too much into the NPD figures, pointing out that the first quarter usually is not a crucial selling period for consumer electronics.

"It's too early to tell," said Kurt Scherf, an analyst with technology research firm Parks Associates. "I expect that it will be third and fourth quarter during the holiday season when [there is] aggressive promotion and bundling of players with HDTVs that those numbers will come up."

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