Blu-ray's Fuzzy Future

Blu-ray is returning to the Consumer Electronics Show in Las Vegas, where last year it won the DVD format war.

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The biggest news at the Consumer Electronics Show in Las Vegas last January was not the birth of a new product but the death of one.

A decision by Warner Brothers to withdraw support for the HD DVD video disc format sent shock waves through the electronics industry and appeared to hand the future of home entertainment to Blu-ray, a rival format.

The move set the stage for this year's Consumer Electronics Show, which starts Wednesday under the dark cloud of a recession and a sharp downturn in consumer spending. Nearly two million square feet of convention hall will be stocked with the latest mobile phones, portable music players, digital cameras and expensive flat-screen televisions.

But many eyes will be on Blu-ray, which for the first time has the floor largely to itself as the heir apparent to the

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DVD. Over the last decade, DVD players and discs have generated tens of billions of dollars for Hollywood and the consumer electronics industry, so the pressure for a blockbuster sequel is high.

This year will be crucial for the new format. Heavy holiday discounting and the natural decline in electronics prices over time have pushed prices for some Blu-ray players under $200, a drop of well more than half in the last few years — and into the realm of affordability for many. At the same time, Blu-ray’s backers, including Sony and the Walt Disney Company, face a growing chorus of skeptics that says the window for a high-definition disc format may be closing fast.

One reason is that discs of all kinds may become obsolete as a new wave of digital media services starts to flow into the living room. On Monday, for example, the Korean television maker LG Electronics plans to announce a new line of high-definition televisions that connect directly to the Internet with no set-top box required. The televisions will be able to play movies and television shows from online video-on-demand services, including Netflix.

“The Blu-ray format is in jeopardy simply because the advent of downloadable HD movies is so close,” said Roger L. Kay, president of Endpoint Technologies Associates, a research and consulting company. “Streaming video from the Internet and other means of direct digital delivery are going to put optical formats out of business entirely over the next few years.”

Blu-ray’s supporters have another view. They say the technology had a breakout year, crowned by the holiday success of “The Dark Knight,” which sold 600,000 Blu-ray copies in one day. They also say that Blu-ray players are selling faster than DVD players did at a comparable time in their emergence.

“What we saw in 2008 was increasing adoption of Blu-ray along with decreasing hardware prices,” said Reed Hastings, the chief executive of Netflix, which has persuaded more than half a million members to pay an extra dollar a month to rent Blu-ray discs. “The window of opportunity for DVD and Blu-ray discs is longer than most people think. But it’s not going to last forever.”

The Consumer Electronics Association predicts that North American consumers will spend $1.3 billion on Blu-ray players in 2009, outpacing the projected $1.2 billion that will be spent on regular DVD players, although Blu-ray players are two to three times more expensive.

Last year “was a launching pad, and 2009 is going to be our growth year,” said Andy Parsons, the chairman of the Blu-ray Disc Association, a consortium of the format’s backers. “We think this year we’ll start to see the format really take off into the mass market.”

But evidence exists that many people either do not know enough about Blu-ray to buy or do not think the more expensive players and discs are worth the extra investment.

Going from the whirring VCRs of yore to a DVD player was a big leap in picture quality and convenience, while the jump from DVD to Blu-ray is subtler, at least for those who do not have the latest and largest high-definition televisions.

Americans are still expected to buy more standard DVD players next year than Blu-ray players, according to the Consumer Electronics Association. People like Erik Swenson, a 37-year-old interior designer in San Francisco, represent one reason. “I’ve heard of Blu-
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ray, but I don’t know much about it,” he said, shopping last week at a Best Buy for a DVD player. “I'm a little behind with this tech stuff.”

Blu-ray’s backers acknowledge that they have a tougher sell with Blu-ray than they did with DVD, particularly in light of the sour economy.

“Satisfaction with DVD is very high, and sales figures for the DVD, though the market is contracting, are very strong,” said Chris Fawcett, vice president for the home audio and video division of Sony Electronics, which has lowered growth projections for Blu-ray to account for the downturn in consumer spending.

But Mr. Fawcett also said that technology companies, electronics makers, movie studios and retailers have made a significant investment in developing and promoting the format and are largely united in their determination to see it succeed.

That commitment has been on display recently. In November, a group of studios and electronics manufacturers began a $25 million barrage of television commercials, using the theme “Tru Blu” and promoting Blu-ray as “the best way to watch movies at home. Ever.”

On Black Friday, the crucial shopping day after Thanksgiving, electronics manufacturers coordinated with retailers to heavily discount Blu-ray players. As a result, sales surged.

The continued push for Blu-ray will be a central theme at the Consumer Electronics Show, as manufacturers introduce new players and continue to cut prices on older models. Analysts say they expect companies to announce more support for a feature called BD Live (as in Blu-ray disc live), which lets people download additional material from the Internet and interact with friends in text chats that appear on the television while playing a movie.

Consumers must buy adapters to bring most Blu-ray players online, though devices to be unveiled at the show may have Internet access built in.

Integrating the Internet may be a matter of survival for Blu-ray, because the Internet is shaping up to be its biggest rival. More services are popping up that let people download high-definition movies and shows directly to their televisions and home computers.

There are 1,092 discs available in Blu-ray format, mostly new movies like “The Dark Knight” and “Wall-E.” Apple’s iTunes Store introduced high-definition movies a year ago and already has 600 titles available to rent or download. A similar Internet-connected box, Vudu, can access about 1,400 high-definition films.

“When Vudu popped up and had more high-definition movies than Blu-ray, it was a warning sign,” said Rob Enderle, president of the Enderle Group, which advises technology companies like Microsoft and Toshiba. “I think Blu-ray can sustain itself as a transition technology, but, at the end of the day, I don’t think it will ever replace the DVD.”

Still, for some consumers, nothing beats the crisp, clear picture of a Blu-ray disc. “It’s a huge difference,” said Gary Tsang, 31, a computer network engineer in San Francisco who bought a $299 Blu-ray player in October and was among the shoppers who rushed out to buy “The Dark Knight” last month.

Mr. Tsang added that Blu-ray made a real difference only when viewed on a good high-definition television, like the one his family bought in February for $2,700. “We’re not bleeding edge, but we’re cutting edge.”
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