



Studios leaving money on the table by failing to support both HD DVD and Blu-ray next generation video formats

Screen Digest predicts most studios will become format agnostic

London 17th September 2007: The latest research released today by media analysts Screen Digest (www.screendigest.com), examines the evolution of the high-definition video market. The research includes detailed forecasts to 2011 for consumer sales and revenues of both new video formats for W Europe and the US. Screen Digest believes that whilst Blu-ray Disc (BD) is selling more units than rival HD DVD at the moment, in the longer term both formats will establish a viable installed base, allowing them to co-exist for the foreseeable future.

As a result, Screen Digest has calculated that those Hollywood studios that opt to support a single format only could be missing out on significant revenues, potentially eschewing over \$270m of consumer spending in 2008 alone. Blu-ray-exclusive studios Sony, Fox and Disney could miss out on \$175m in consumer spending by not publishing their films on HD DVD, although Blu-ray's stronger sales mean that HD DVD-only supporters are at risk of making the largest individual losses. With so much at stake, Screen Digest expects several single-format studios to reassess their positions during 2008.

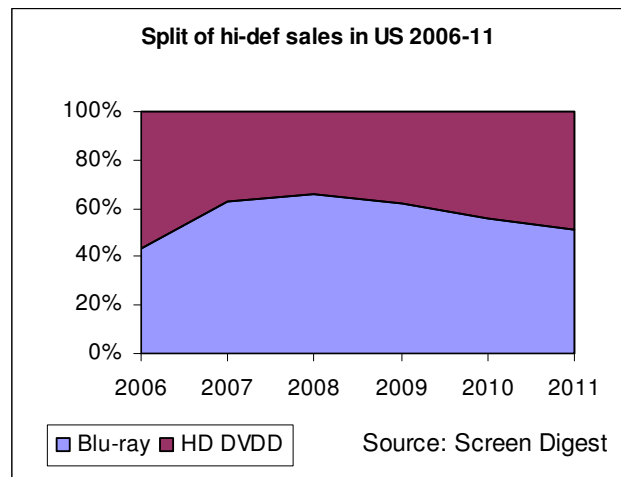
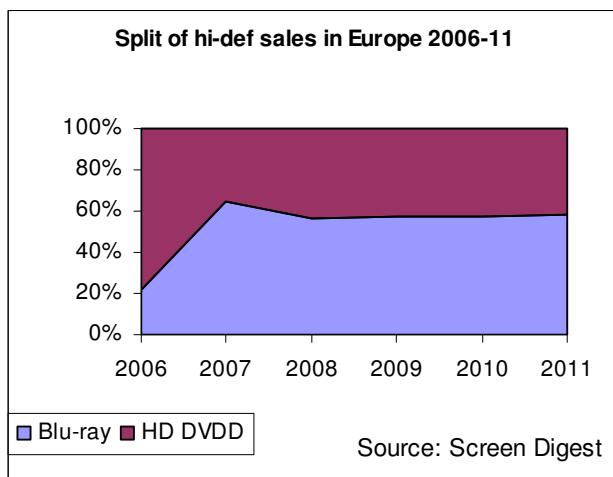
The recent announcement that Paramount – hitherto a format agnostic studio – and DreamWorks will support HD DVD exclusively might at first seem to undermine this prediction. However Screen Digest believes that the decision by Paramount to 'get off the fence' over hi-def actually makes it more likely that other studios will now move to a format agnostic position. The decision has effectively secured HD DVD's immediate future, and cleared the way for the other studios that currently support one platform only to move to an agnostic position without being the studio solely responsible for prolonging a format war, or for killing off one of the formats.

Christmas 2007 will be critical

Richard Cooper, Screen Digest Video Analyst, says “Christmas 2007 is going to be critical for the hi-def video business. Both formats will be seeking to secure consumer buy-in to their proposition during the critical holiday season but with so much at stake on both sides we think it is highly unlikely that one format will emerge as the ‘winner’. Once it becomes clear that both formats are gaining customer acceptance, studios that have chosen to support one format over the other will realize that they are missing out on potential sales and will have to decide how long they can afford to place principle over profit. We believe that eventually most will decide to offer their titles on both HD DVD and BD in order to maximise their returns.”

Hardware holds the key

A crucial factor in how the high definition market will evolve is the level of hardware support available to each format. Both formats benefit from a growing range of standalone video disc players, at ever-lower prices. However, Blu-ray currently enjoys a significant advantage over HD DVD because it can also be played on Sony’s PlayStation 3 games console. To date, PS3 sales have exceeded total standalone player sales (irrespective of format) by a ratio of six to one. Although Screen Digest’s research shows that each PS3 household buys far fewer movie discs than each standalone household, their sheer numbers provide serious buying power.



Screen Digest has developed a detailed forecasting model analysing the key factors that will influence sales of HD DVD and Blu-ray hardware and software in the US and Europe over the next few years. The charts above show the anticipated split of software sales between the two formats from 2006 to 2011. Whilst Blu-ray is currently outselling HD DVD on both sides of the Atlantic, Screen Digest expects the situation to even out as hi-def hardware becomes more affordable and more titles become available on both formats. Cooper concludes “Both formats will be adopted, but slower than some in the industry was expecting. There will be no outright winner in the short term.”

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About this research

The data in this press release is taken from Screen Digest's video intelligence service which continuously tracks the evolving video market in 35+ countries worldwide.

About Screen Digest - Global media intelligence

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