

Sony continues DVD battle with Toshiba

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The beginning of the end of the global DVD war may be looming, but Sony is far from conceding defeat. What's more, its business allies have remained loyal to the Japanese electronics giant despite some industry analysts expecting Sony will have to retreat from the market in the longer term.

Earlier this week computer software behemoth Microsoft and semiconductor giant Intel announced they would be complying with the HD DVD format that has been developed by rival electronics group Toshiba.

Toshiba and Sony have been competing against one another to come up with the next-generation DVD that would bolster not only the memory capacity of audiovisual discs, but also enhance their sound and video quality. Until this summer many industry analysts had hoped that the two companies would work together to come up with a common standard, but such expectations were quashed by August when Toshiba declared it would continue to develop its HD DVDs, while Sony said it would keep to its Blu-ray discs.

Neither company has yet launched its respective product, which has kept consumers from buying new DVD players as they await which company will ultimately win the bigger market share in a battle that echoes the videotape wars of the early 1980s between Betamax and VHS. Toshiba has announced that its high-definition DVD should be on the market by the end of this year, and Sony is likely to launch its product by next spring.

Still, it is far too early to declare Toshiba to be the winner of the war, even though it has the support of two of the world's biggest information-technology companies. At a news briefing in New York Wednesday Michael Dell of Dell Computers suggested that his company would continue to back Sony's Blu-ray. Certainly, support from the chief executive of the manufacturer of the most popular personal-computer maker in the United States was a much-needed boost for Sony executives.

Meanwhile, companies including fellow Japanese electronics manufacturers Hitachi and Sharp have sided with Sony on the Blu-ray format, as has Hewlett Packard among others. In addition, Sony has been supported by some big names in the entertainment industry including MGM, Disney and its own Sony Pictures.

Nevertheless, it is clear that the DVD war comes at a time when Sony is facing increasing difficulties in launching blockbusting products and making profits.

The company's recently appointed Chairman Howard Stringer unveiled a restructuring plan for the company last Friday that includes slashing 10,000 jobs worldwide in an attempt to cut costs and bolster profitability after over a decade of lackluster performance. In fact, the company is expecting to post its first annual loss this year since 1997. As a result, if its Blu-ray disc loses out to Toshiba's HD DVD, it would prove to be another major blow to the company that gave birth to the Walkman portable music player and created the PlayStation video-game console.

Some analysts argue that it is still far too early for Sony to back down from the DVD war, given that much of the sales for the audiovisual discs will come from video games. So while Microsoft will likely use Toshiba's HD DVD for its Xbox games when the latest version of the console is launched for the Christmas season this year, Sony will be

using the Blu-ray disc for its PlayStation3 program, which is expected to be released on the global market by next spring.

Meanwhile, Sony executives have pointedly argued that the battle of the DVDs is still on, stressing that the Blu-ray disc offers better copyright protection than the HD DVD.

Both Blu-ray and HD DVDs promise better sound and imaging than current DVDs, but Blu-ray has greater storage capacity than HD with 25 gigabytes compared to 15 gigabytes.

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