

Royalties and Egos

Common sense in the business world tells you avoid repeating mistakes whenever possible. It also tells you: when something works, don't fool with it; don't reinvent the wheel; if ain't broke don't fix it—and whatever other overused cliché you like.

Unfortunately, the format war over the so-called “next-generation DVD” is a sad case study of what not to do. Simply, the reason why DVD became the fastest-growing consumer electronics product in history was the unprecedented level of cooperation that existed not only among the Hollywood studios and CE hardware manufacturers, but also the computer industry.

Initially, there were two warring factions plotting a high-capacity optical disc in the early 1990s—not that dissimilar to the Blu-ray and HD DVD alliances that now exist. But the difference then was they understood that this was a rare opportunity to change the lifestyles of consumers worldwide, and also get rich in doing so.

And guess what? It was wildly successful. Instead of using that impressive blueprint/ formula for cooperation, the powers-that-be this time around inexplicably let their egos get in the way of good business sense.

The first problem with the next-generation DVD is that consumers don't really need it. They're still getting used to their DVD players. Hence, the first Blu-ray and HD DVD players to hit store shelves later this year or early next year may raise some interest with early adopters, but that's about it.

There was a giant leap in quality going from VHS to DVD. I am afraid improved picture quality, the ability to store more information on a disc, and improved interactivity is still not enough of a reason to give consumers the notion that their progressive-scan DVD players, hooked up to surround-sound home theater systems, are already obsolete.

The record companies learned over the

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—Warner Music's Robin Hurley on the failure of high-resolution audio



past four years that just because they tell consumers that they ought to buy high-resolution audio, it ain't necessarily so.

Meanwhile, you have replication equipment suppliers pretty much concurring that if they had their druthers, one new DVD format would suit them fine; yet they find themselves having to support both. Of course, with the ramp-up phase for DVD replication pretty much over, and overcapacity an issue in non-peak seasons, there might be some vendors—still smarting over the yet-to-bounce-back recordables manufacturing market—that welcome two different lines of next-generation equipment to sell, especially since HD DVD requires a lot less new hardware.

It's possible to succeed with more than one format, provided that the consumer hardware can play them all back. For example, the computer drive manufacturers lost interest in picking sides in the DVD-R/DVD+R feud; for the most part, their drives now read and write to all recordable discs.

You would think that the Blu-ray and HD DVD camps would have learned from the utter failure of both Super Audio CD and DVD-Audio, and realize the damage and confusion that transpires from marketing two formats—neither of which is necessarily needed.

Warner Music Group executive Robin Hurley publicly admitted that high-resolution DVD-Audio has been a disaster at the Audio Engineering Society (AES) conven-

tion in San Francisco this past October. In fact, Hurley said he wouldn't be surprised if the labels let whatever stock that's now on shelves (if you can find it) sell out, and going forward, only release DVD-Audio content on DualDisc, the music industry's new supposed savior.

“I don't think you'll see stand-alone DVD-Audios; they'll disappear as stock sells out. It's either the DualDisc or two discs—CD (and) DVD. It'll be packaged like a CD and be in the CD bins—and

that will be a huge step forward.” An AES co-panelist remarked that he had just been on a “reconnaissance mission” to the local Virgin Megastore several blocks away from the convention, “and it appeared DVD Audio had been taken off the floor.” Hurley said he was hopeful “the market will sort itself out.” He lamented somewhat that DVD-Audio and SACD launched with largely the same kind of classic-rock catalog, peppered by more obscure jazz titles. “We did a Billy Cobham record—it's a good record—but it sold nothing on DVD-Audio.”

In short, sales for high-resolution audio “didn't really happen,” Hurley admitted at AES. “To most of the world, surround sound will be what takes off. High resolution appeals to more of a niche audience. To get to be a mass format, I think we have to accept dts or Dolby. At least it's getting more people interested in surround.

“One of the things the industry hasn't come to grips with,” Hurley said, “is a unified advertising campaign. The biggest thing that hurts us is that there are two formats out there. That really has made executives at the highest level wince and pause before putting big money into it. That wasn't the case with movies on DVD.”

To Hurley's last point, I predict that the movie industry will join the music industry in the not-so-distant future, staring at sobering analyses on how their projections fell short.