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Universal confirms "no plans to support Blu-ray"

We sit down with Ken Graffeo from Universal to talk next gen format war

by Stuart Miles published on 5 November 2007

As the next generation format war between Blu-ray and HD DVD continues to rumble on, Pocket-lint sat down over email with Ken Graffeo, executive vice president, HD DVD Strategic Marketing for Universal, the only studio to singularly back Toshiba's HD DVD format from the start.

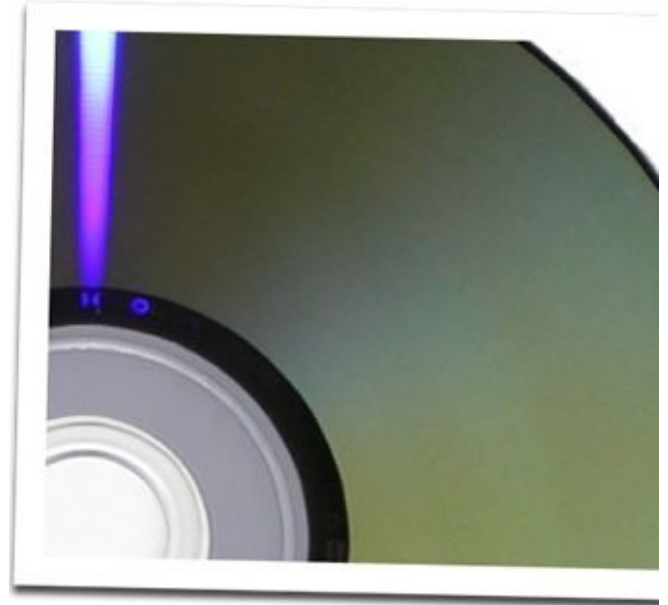
Is HD DVD going to win over Blu-ray? What does the future hold? How does the company feel about Paramount and DreamWorks coming on board? And will it ever release Blu-ray movies?

Q: No matter how it's spun, the format war isn't good for the consumer, looking back, what do you think Sony and Toshiba should have done differently?

A: Extensive efforts were made to find a solution in the DVD Forum and avoid the situation we see today, but unfortunately that didn't happen. The DVD Forum chose the HD DVD specification and as a result, Sony and its partners decided to make a go of it with Blu-ray. Our focus now is providing the best high definition home entertainment experiences with greatest value proposition for consumers. At the end, the consumer is the real winner because prices on next-generation hardware have been dropping faster and more significantly than they did in the early days of DVD. This is actually hastening rather than slowing consumer adaption.

Q: Do you see a time when Universal will release movies on both HD DVD and Blu-ray?

A: We have no plans to support Blu-ray. We want to be able to market all the great things HD DVD can offer consumers. We couldn't do this if we split our resources on two formats, hedged our



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bets and had to avoid over promoting features on one format so we wouldn't undercut the other format. HD DVD allows us to provide the type of quality and truly next generation experiences we need to get consumers to migrate from DVD.

Q: With the PS3 price cut meaning the console is now much more affordable, and one of the cheapest Blu-ray players on the market, how do you think this will affect Blu-ray adoption compared to HD DVD?

A: The PS3 is a gaming system first - even Sony will tell you this, and we believe consumers use gaming consoles to play games. Studies show that 70% of gamers don't even know that their console has a DVD playback option. What's important is that HD DVD owns the lead in dedicated CE player sales and maintains a 4:1 software attach rate over Blu-ray, meaning people are purchasing four times more HD DVD titles per HD DVD player than Blu-ray. Standalone players for HD DVD will be as low as \$199 this holiday shopping season - maintaining HD DVD's clear cost advantage. The PS3 simply hasn't been the gamer changer Sony had hoped it would be.

Q: How much longer will Universal offer DVD versions of films for?

A: Right now the market for next generation formats is still in its infancy. DVD is still a critical part of Universal's business and our DVD plans remain unchanged. Additionally, DVD plays a critical role in our HD DVD efforts. We include a DVD version with our HD DVD day-in-date titles in the form of combo discs. This is a unique advantage of HD DVD - one disc with a standard definition version of the movie on one side, and an HD DVD version on the other side. If you think about it, most consumers will buy an HD DVD player and retire their DVD player to the bedroom or a side room, but they'll still want to take their HD disc and watch it throughout the house, or in the car. Only HD DVD offers this type of value.

Q: Do you have plans to use the 51GB HD DVD disc for sell-thru Universal movies?

A: The DVD Forum has not approved the 51GB spec, so it's too early to speculate on plans at this time. That said 30GB is more than enough space for a movie with reference quality video and audio, with plenty of room for extras. We can just use a second disc if we want to add more extras. The cost of replication is minimal given HD DVD's heritage with DVD, plus consumers see a two disc set as having greater value.

Q. Although your competitors in the wider sense, is it good to have Paramount and DreamWorks in the HD DVD camp?

A: The HD DVD Promotional Group is comprised of over 200 member companies that all work together with the single goal of promoting the format. Paramount has been a key member since the format's inception, and has released titles on HD DVD since day one. Clearly the exclusivity of Paramount and DMA titles such as "Transformers" and "Shrek the Third", in addition to their strong catalogue adds to HD DVD's consumer value proposition and we're pleased to have them onboard. But what I think is more important is what their decision says. They had a chance to test both formats and they chose HD DVD due to the consistent experience and value proposition it offers consumers.

Q. Universal has announced the U-Shop, and some special interactive web features for HD DVD discs, how long do you think it will take the Blu-ray group, with their problems with BD-J, and early players without Ethernet, to catch up and offer similar features?

A: I can't speak to Blu-ray timelines. What's important to understand though is how HD DVD was launched with a consistent and stable spec that mandates crucial features for all players to enable interactive experiences such as a network connection, persistent memory and secondary video decoder for picture-in-picture scenarios. Even if Blu-ray includes web-enabled features on

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prospects for the format.

discs in the future, none of the players sold to date would be able to access these features, and it's still unclear what the install base of players in the future will support those capabilities since none of the features are mandatory in the Blu-ray specification.

Q: Do you think people are ready to download content via their HD DVD player?

A: Consumers for the most part are happy with DVD and we've long felt that we need to provide clear reasons for them to make the transition. Superior picture and audio are a given, you have to have this, but interactivity and web-enabled features that allow movies to live beyond what was stamped on the disc is critical. This is where things are headed especially if you look at the next generation of consumers, but a big component is education. There's a learning curve on both sides, with consumers and how we start implement and evolve the moving making process to take these types of capabilities into consideration. I have to admit, I'm quite impressed with where we've come in under 2 years.

Q: What other features do you see becoming a possibility with HD DVD?

A: With the mandatory features like internet connectivity, and utilizing Microsoft's HDi technology, the sky is the limit. We've just scratched the surface of what is possible. As the capabilities of HD DVD become more socialized with the creative community behind movies, I think we're going to start to see things take off.

Q: How long do you think it will take before HD DVD becomes the defacto high-def standard?

A: It's too early to tell with the market being in this early stage, but as consumers continue to migrate to large HD displays, player prices continue to come down and the experience on HD DVD accelerates we feel very good about future