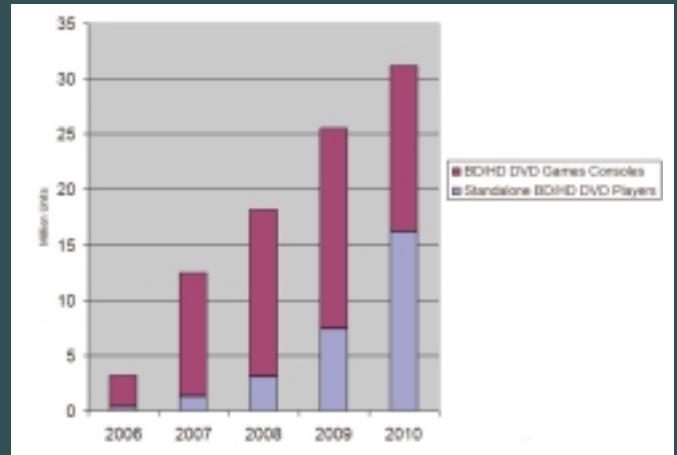


HIGH-DEF HARDWARE

THE INTRODUCTION OF high definition formats over the next 18 months will see a shift in both the games and video entertainment sector. Recent figures suggest that it will be the gaming sector that will attract early adopters and with both the Xbox 360 and PlayStation 3 consoles garnering much media attention, this isn't that surprising. What is unusual is that the games consoles will drive the new formats for the next five years. The figures show that the games industry will significantly push the new formats with sales peaking at 18.1 million HD games units in 2009, compared to 7.4 million

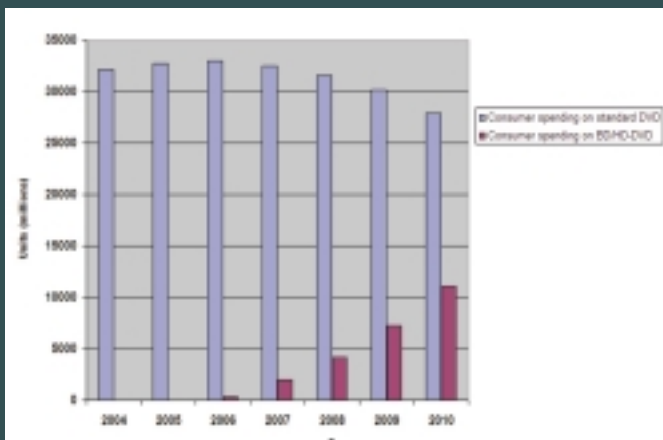
standalone HD players. This is quite unusual when compared to previous games systems and the uptake of DVD players. If the projections are correct, it won't be until 2010 that standalone HD players will nudge ahead of the games consoles. Compare this to the uptake of DVD players in the late 1990s and it is evident that the general public will be reluctant to throw out their existing video entertainment hardware and upgrade. However, they will be more likely to buy multi-function items such as a games system that has HD video playback capability and keep their existing DVD setup. ●

ANNUAL BD/HD DVD HARDWARE SALES IN KEY MARKETS (EUROPE, USA AND JAPAN)



Source: Screen Digest

POTENTIAL FOR HIGH-DEF SALES BY VALUE (EUROPE, USA AND JAPAN)



Source: Screen Digest

HD/DVD SOFTWARE

THE STANDARD DEFINITION (SD) DVD format that we know already has captured the public imagination to a greater extent than the VHS ever did. The real question over the coming 36 months is whether or not high definition formats will be able to dislodge SD discs as the favoured video delivery format. Current projections see total DVD sales rising in 2006 to a peak of \$32,981 million before these sales start to slow and begin to trail off as HD formats become established. However, if the projections are to be believed it will not be an overnight success for

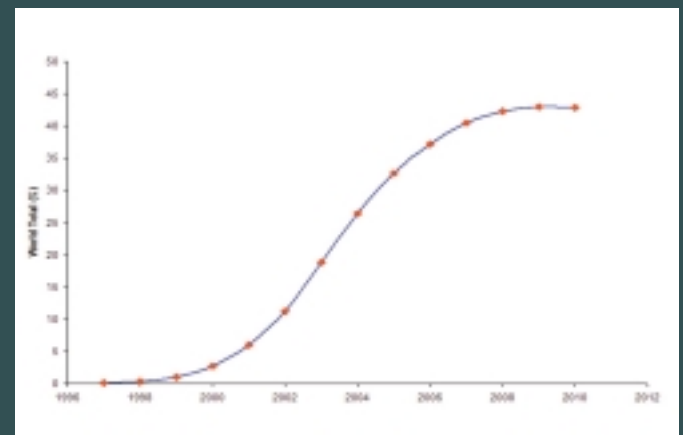
Blu-ray and HD DVD and we will not see another DVD revolution happening. The figures indicate that HD sales will slowly increase over the next five years, but they won't make the same impact as DVD made against VHS. In terms of a format war, the question shouldn't be whether Blu-ray or HD DVD will emerge victorious as the HD content system of choice, but whether or not both formats can rail against a well-established foe in the form of SD DVD, which to the general consumer will be cheaper and remain a perfectly viable format. ●

DVD HARDWARE

THE LAUNCH OF the DVD format at the tail end of the 1990s can be used as the perfect case study into how a superior media format can establish itself quickly and have a fatal impact over the format it has superseded – in this case the VHS cassette. In 1997, the worldwide percentage of DVD player/recorders owned worldwide was just 0.1% but this figure rose ten-fold in two years and then six-fold in another two years before doubling in 2002. Remember this might not sound like a big increase, but we are talking about Europe, USA and Japan saturation and it is expected for the DVD format to have a con-

tinued shelf-life despite being nearly 10 years old. If the projections are correct, DVD hardware will reach peak saturation by 2009 (three years after the launch of HD formats) with 43% penetration. It will only be then that we will start to see its popularity slowly wane, but by then other video formats might be making themselves established, such as Internet-based Video on Demand (VoD) delivery systems and a possible shift towards solid-state media. But when thinking about new formats, one must remember that it took VHS over two decades to die out, so you can bet that DVD has plenty of shelf-life left. ●

DVD PLAYER/RECORDER PENETRATION (EUROPE, USA AND JAPAN)



Source: Screen Digest