

Investor's Business Daily

Feeling Gruvi: SanDisk Unveils Card

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Looking to glitz up the image of flash memory, SanDisk on Tuesday will release a storage product called Gruvi.

The new flash card is designed to hold entertainment media, such as music and video. SanDisk (NasdaqNM:[SNDK](#) - [News](#)) hopes record companies will use the card to sell albums, and later, that Hollywood will use it to store and sell movies.

The storage cards, which hold up to 2 gigabytes, pop into cell phones and other handheld devices, turning them into portable media players. That could put SanDisk in closer competition with Apple Computer (NasdaqNM:[AAPL](#) - [News](#)), which sells the popular iPod device.

"This is an iPod on a card," said Pedro Vargas, SanDisk's director of mobile entertainment products.

The new card, which is smaller than a dime, is expected to go on sale in November. It will be available at SanDisk's 129,000 retail outlets, Vargas says, with prices starting at \$40.

More Secure

SanDisk also is beefing up the security of its flash chips. On Tuesday, it will unveil a new technology standard called TrustedFlash. The idea is to safeguard the data stored on flash cards.

Sales of flash cards have surged in recent years, fueled by the growth of portable digital devices. Flash storage has advantages over disk drives, since flash has no moving parts and is more compact.

In the past, flash cards had small capacities. But that's changing. The latest generation of flash cards -- including the Gruvi -- has room for plenty of photos, video clips and songs.

The first Gruvi cards will be marketed for music storage. But next year SanDisk plans to roll out cards for storing movies, making credit card payments and accessing mass transit.

Vargas admits that SanDisk faces some big challenges. One is the popularity of the iPod. It has a "cool" factor that will be hard to overcome, he says.

Another hurdle is the scarcity of flash chips. SanDisk, like other flash makers, is struggling to produce enough to meet demand. But supplies are expected to rebound by early 2006.

SanDisk hopes TrustedFlash gives it an additional marketing edge. Unlike previous products, TrustedFlash chips have several layers of security.

The cell phone maker Samsung has pledged to use TrustedFlash chips, Vargas says. And several makers of media content - including EMI and Yahoo (NasdaqNM:[YHOO](#) - [News](#)) -- will work with the new technology as well.

SanDisk's Gruvi cards will fit into the SD flash card slots found on most current cell phones.

About 400 million of the roughly 780 million cell phones forecast to sell this year will have SD card slots.

Hiding Content

The cards could be sold with albums stored on them, Vargas says. And music companies will be able to hide some material on the cards that could be pulled up later.

"With the Gruvi card, a user could buy one album," he said. "If that person wanted to buy another later, record companies could simply send a command online and the user would be able to hear the newly purchased album."

But it won't be easy to take market share away from the iPod, analysts say.

Apple is enjoying a wave of buzz these days over its latest iPod, the Nano, which is almost as small as a credit card. Apple also recently developed a phone with Motorola that works with Apple's music software.

In the quarter ended June 25, Apple sold 6.16 million iPods, worth \$1.1 billion. That's a 616% jump over the year-ago quarter's unit sales.

Most of Apple's iPods rely on disk drives. That gives them bigger capacities, but they aren't as rugged as flash-based systems, says Will Strauss, an analyst with the research firm Forward Concepts.

"They don't hold up well for jogging," he said. "They start skipping tracks. If you ever drop it, it's dead."

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