

SanDisk Enters Digital Scene For Delivering Entertainment

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There's a new entrant in the format wars for delivering digital music, movies and games.

SanDisk Corp., the No. 1 maker of the familiar flash cards used with digital cameras and other products, today is announcing an effort to turn the technology into a medium for distributing prerecorded content. The goal is to let consumers buy cards that come preloaded with music or movies, or can be filled by downloading content over the Internet.

One scenario would be to sell cards containing multiple recordings from a single artist. Consumers might pay an initial price to be able to access an album. They could later visit an online store and, for an extra fee, unlock additional albums or singles contained on the card, says Pedro Vargas, SanDisk's director of mobile entertainment.

The cards, to be sold in retail stores under the brand "gruvi," come with technology to enforce rules about sharing content. Unlike some copyright-protection plans, which allow files to be played on a particular gadget, SanDisk says its new TrustedFlash cards can allow consumers to move music and other files easily between cellphones, pocket media players, computers, stereo equipment or other gadgets.

It is an ambitious vision, requiring negotiations with media companies, hardware makers and retailers to support the format. At an initial suggested retail price of \$39.99, the cards also are considerably more expensive than most CDs and DVDs.

But some analysts believe the format could catch on with content companies and consumers, particularly in distributing songs in digital form. "It's a huge change in the way people think of music," said Richard Doherty, an analyst at the market research firm Envisioneering Group. "I think it will appeal to people's lifestyles."

SanDisk, of Sunnyvale, Calif., says initial supporters of the format include the record label EMI Group PLC, Samsung Electronics Co.'s cellphone division, Yahoo Inc.'s music unit; closely held PacketVideo Corp.; and NDS Group PLC, a maker of content-protection technology that is majority-owned by News Corp.

Flash cards take their name from chips known as flash memory. Though more expensive than hard disks or optical disks for storing an equivalent amount of data, the chips are more resistant to shocks that can cause hard drives to crash. Flash-card prices have been falling rapidly, and their capacities have risen.

ISuppli Corp., a market research firm, predicts that sales of flash cards will more than double this year to 389 million units, while revenue surges 65% to \$10.98 billion. SanDisk had 20.5% of the market in 2004, ahead of Sony Corp., with an 18% share, the

firm says.

Popularizing a physical data format would seem to be an uphill battle. Many consumers are avoiding brick-and-mortar music stores and disks, preferring Internet-based services that let them manage music as digital files on PCs and gadgets such as Apple Computer Inc.'s iPod. DataPlay Inc., a start-up in Boulder, Colo., in 2001 announced a plan to try to popularize a small optical disk as a prerecorded music format, but the effort failed to catch on broadly.

The \$39 initial price tag also could deter some consumers. But SanDisk's Mr. Vargas notes that the devices, unlike CDs, can be used by customers to store their own content in addition to prerecorded songs or movies. Prices also are likely to drop over time, he noted.

The TrustedFlash cards, which come in models as small as a thumbnail, are expected to come in capacities ranging from 256 megabytes to two gigabytes. Besides flash, the cards contain chip technology to encrypt data and do other processing. Software from San Diego-based PacketVideo is used to play audio and video content on mobile phones that may lack built-in multimedia capabilities.

SanDisk said the new cards are available immediately for use by hardware makers, with prerecorded music cards scheduled for sale within 60 days.