

Below is a sample strategy report on TiVo addressed to the Proximity video team. Note that the memo analyzes TiVo's strategy as understood in June 2009.

TO: Proximity video team
FROM: Paul Miers
DATE: June 7, 2009
SUBJECT: TiVo strategy report

TiVo no longer dominates the DVR market, but many analysts think it can now compete for distribution of premium video over the internet. Whether Gen-Y users will adopt TiVo hardware to get this new content, however, depends on whether TiVo can offer them technology that exploits the interactive potential of online **entertainment**.

TiVo profile

TiVo pioneered the technology and services for digital video recorders (DVRs) that enable time-shifting of TV programs. It was founded in 1997 as Teleworld, INC. by Jim Barton (Silicon Graphics) and Mike Ramsay (Time Warner). It renamed itself and made its IPO (initial public offering) in 1999 (Wikipedia 2009). Now based in Alvisio, CA, TiVo's CEO is Thomas Rogers (Reuters 2009).

TiVo's revenue come from three sources:

- *consumers* who purchase TiVo boxes and pay a monthly subscription fee;
- *satellite and cable providers* who license TiVo technology for DVRs used by their subscribers;
- *advertisers* who use data collected by TiVo to place ads and measure their effectiveness.

TiVo currently has 3.3 million subscribers and generated \$249.7 million in revenue for 2009, down from \$272.7 million in 2008. The company has announced it expects revenues for the 1st quarter of fiscal 2010 to fall a further \$47-49 million (Reuters 2009).

New video landscape is still volatile

The primary force driving competition in the old DVR marketplace is the integration of generic DVRs into the subscription package offered by cable and satellite providers. Although TiVo DVRs offer features not found on these substitute boxes, viewers can rent them for a fraction of the cost of a TiVo box. They then use them in conjunction with the on-demand capabilities of their cable or satellite service to time-shift programs and fast-forward through ads (Standard & Poors, 2009).

Viewers can get premium video from a bewildering number of platforms in the highly volatile new video landscape. TiVo faces intense competition for the delivery of

Comment [MP1]: Opening paragraph starts with summary of TiVo's strategy and ends with statement on Gen-Y implications.

Comment [MP2]: Gives basic company story, CEO, business model, and recent performance.

Comment [MP3]: Note comparative context for performance figures

Comment [MP4]: Describes old and new landscape and defines primary force for each one. Your report may only focus on current landscape.

premium content from companies such as Microsoft (XBox 360), and Apple (iTunes and AppleTV) (Standard & Poors, 2009). Which technology user's will favor is not yet clear.

TiVo seeks partnerships with content providers

TiVo fought the substitute product threat in the old DVR market by filing lawsuits against providers that TiVo claims had copied its proprietary technology. It recently won a suit against Echostar, which provides DVRs for the satellite based Dish Network. The size of the award (\$103 million) is less important than future revenues TiVo may gain by forcing makers of generic boxes to license its technology.

TiVo is now positioning itself to compete in the new video landscape where TVs linked to the internet can access both free and premium content. It has formed partnerships with many of the major content vendors: Amazon, Real Networks, YouTube, Brightcove, Yahoo!, Nero, Netflix, Research In Motion, Verizon Wireless and Windstream Communications (Standard and Poor's, 2009). It also recently announced a new partnership with Blockbuster that allows subscribers to download premium video shortly after it appears on DVD (Mahr 2009).

Some analysts argue that TiVo should stop making hardware entirely and only sell its proprietary technology and information services (Ray, 2009). I agree with this position.

TiVo boxes have limited Gen-Y appeal

Although TiVo may once again dominate its sector through licensing and partnerships, the cost of the box and subscription service does not make ownership attractive to Gen-Y consumers. Furthermore, this demographic "gap" undermines the value of TiVo's information about viewer behaviors. As one company spokesperson admitted, TiVo subscribers tend to be "more affluent, better educated and 'unfortunately, a little more white' than the overall population" (Kee, 2009).

I believe, however, that TiVo's biggest challenge is not the cost of the box itself but rather what the box is designed to do. Being able to use TiVo's technology to find, save, or buy content from the Web is certainly an attractive new feature. Unlike the XBox 360, however, a TiVo box cannot execute the sophisticated programs used in video games or, for that matter, play DVDs. What will compel Gen-Y to link to the Web through their TVs is the ability to play interactive games like "The Sims" while connected to online social networks. It may just be the right time for a Microsoft -TiVo partnership.

References

Kee, Tameka, TiVo Increases Focus on Audience Data Sales, Adds Local to the Mix. (2009, April 20). paidContent.org . Retrieved June 7, 2009 from <http://www.paidcontent.org/entry/419-tivo-increases-focus-ondata->

Comment [MP5]: Identifies current strategy and takes a position on analyst's opinions.

Comment [MP6]: Clearly states the report's conclusion

sales-adds-local-to-the-mix.

Mahr, Roy. Blockbusters to rent and sell movies through TiVo. (2009, March 25). paidContent.org. Retrieved June 7, 2009 from <http://www.paidcontent.org/entry/419-blockbuster-to-rent-and-sellmovies-through-tivo>

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