

Below is a sample strategy report on TiVo which I addressed to the Proximity video team. Click on any number in the right margin to read my comments at the end about the underlined text in the memo. When you finish reading a comment, click on its number to return to the text of the memo.

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

Here is my TiVo strategy analysis. Although TiVo no longer dominates the DVR market, many analysts think it is now in a position to compete for distribution of on-demand video and Web content. Whether Gen Y users will adopt TiVo as their primary source for this new content, however, depends on whether TiVo can offer them technology that exploits the interactive potential of online entertainment

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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 Alviso, CA, TiVo's CEO is Thomas Rogers (Reuters 2009).

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TiVo's revenues come from three sources:

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- 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).

Competitive landscape

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The primary force driving competition in the DVR marketplace is the integration of generic DVRs into the subscription package offered by cable and satellite providers. Although TiVo DVRs still 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).

TiVo also faces intense competition for the delivery of premium video content from companies such as Microsoft (XBox 360), and Apple (iTunes and AppleTV) (Standard & Poors, 2009). This landscape is still highly volatile, and it is not yet clear what kind of technology user's will favor.

TiVo's strategy

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TiVo has chosen to fight the substitute product threat by filing lawsuits against providers that TiVo claims have 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. Some analysts even argue that TiVo should stop making hardware entirely and only sell its proprietary technology and information services (Ray, 2009).

TiVo is also positioning itself to dominate the new video landscape where TVs are linked through the Internet to 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 recently announced a new partnership with Blockbuster that allows subscribers to download premium video shortly after it appears on DVD (Mahr 2009).

Gen-Y implications

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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

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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-on-data-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-sell-movies-through-tivo>

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Reuters, TiVo, Inc. (2009, June 5). Retrieved June 7, 2009 from <http://www.reuters.com/finance/stocks/overview?symbol=TIVO.O>

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Standard and Poor's. (2009, June 7). *TiVo*. Standard & Poor's Stock Reports. Retrieved June 7, 2009, from S&P NetAdvantage database.

Wikipedia. (2009, June 6). TiVo. Retrieved June 7, 2009 from <http://en.wikipedia.org/wiki/TiVo>.

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- 1** Opening paragraph ends with forecast of conclusion.
Paul Miers Jun 7, 2009 10:59 PM
- 2** Basic company story, location, and CEO in one paragraph
Paul Miers Jun 7, 2009 10:59 PM
- 3** Core business model and current performance in second paragraph
Paul Miers Jun 7, 2009 11:00 PM
- 4** I identify one force - substitute products here. In the next paragraph I describe an emerging landscape where it is not yet clear exactly what sort of technology will dominate. However, I do mention other companies who are trying to compete in the TV box marketplace.
Paul Miers Jun 7, 2009 11:00 PM
- 5** Two strategies, two paragraphs. I could have structured this section with an introductory sentence: "TiVo has adopted two strategies to survive competition in this landscape" Then I would make each paragraph a bullet under that lead. Instead I use transition words and references back to the landscape section to organize these two paragraphs. Using a list, however, is a good way to force yourself to decide exactly how many distinct strategies or components of a strategy you are discussing.

Paul Miers Jun 7, 2009 11:03 PM
- 6** The first one of these implications, I take from a source. But notice the second one, which is the real point of the whole analysis, is my own. Notice also that I label it as such once, at the start of the second paragraph, and then state the argument as directly as possible.
Paul Miers Jun 7, 2009 11:07 PM
- 7** I used a page break here to keep the reference together on one page. I wound up with six sources because I had to source the lawsuit and the deal with Blockbusters from two different blog postings.
Paul Miers Jun 7, 2009 11:12 PM
- 8** Reuters continuously updates stock info for company profiles but does not list a specific date for the profile itself. I dated this page for the close of the market on Friday, June 5.
Paul Miers Jun 8, 2009 2:39 PM
- 9** This is the date for the most recent edit of the Wikipedia page at the time I composed the memo. You can find that date by clicking on the "history" tab at the top of any Wikipedia article. It's always interesting to see how recently and how often a Wikipedia page has been edited.
Paul Miers Jun 8, 2009 2:47 PM