



# TiVo

## Digital Video Recording Technology

70-381 Marketing I  
Group C5

April 24, 2002

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# Overview

- ◆ Background
- ◆ Market Situation
- ◆ Distribution Situation
- ◆ SWOT Analysis
- ◆ Market Research
- ◆ Market Positioning Perceptual Map
- ◆ Marketing Plans
- ◆ Q & A



# Background

## ***Vision:***

*"to create and continually enhance a new, easy - and much better - way to watch television"*

- ◆ TiVo, the creator of television services for digital video recorders (DVR)
- ◆ Considered best DVR by *Business Week*, *The New York Times*, and *Popular Science*
- ◆ Revenue increased by 437% in 2001
- ◆ 280,000 subscribers to TiVo Service in 2001
- ◆ TiVo Series2 DVR \$399.99, monthly subscription fee \$12.95

# Market Situation

"TiVo, TV your way®"



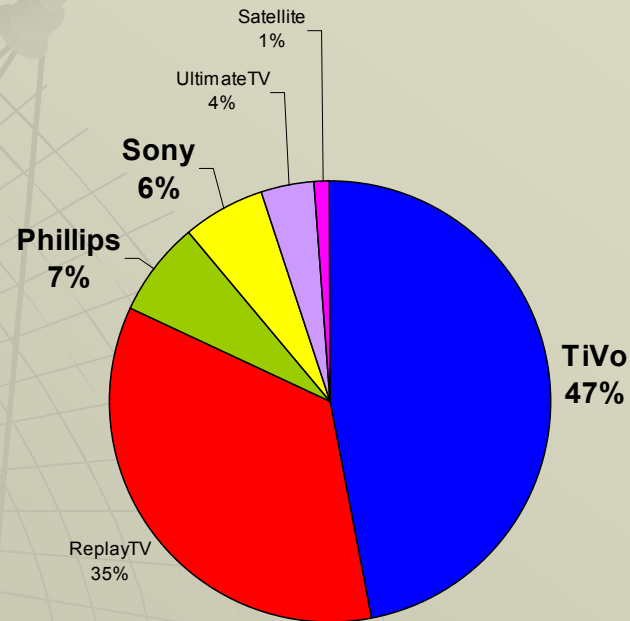
- ◆ DVR penetration highest in digital cable and DSL homes

- ◆ Market Share:

- **TiVo 47%**
- ReplayTV 35%
- **Philips 7%**
- **Sony 6%**
- UltimateTV 4%
- Satellite 1%

- ◆ 1 out of 10 consumers had hoped to buy a DVR by the summer of 2001

## 60% of DVR Owners Are TiVo Subscribers





# Distribution Situation

## Two primary methods of distribution

- ◆ Online retailers
  - Amazon.com, Spiegel.com
- ◆ Walk-in store
  - Circuit City, Best Buy and Sears

## TiVo and big-name strategic partners

- ◆ AOL Time Warner
- ◆ AT&T
- ◆ Sony

AOL Time Warner



SONY



# SWOT Analysis

## Strengths

1. Versatile
2. Customer service
3. Product quality
4. Good brand image

## Opportunities

1. Unique features
2. Interactivity

## Weaknesses

1. Advertising
2. Monthly pricing plan
3. Funding

## Threats

1. ReplayTV
2. UltimateTV
3. DVD recorders
4. VCR

# Problem

"TiVo, TV your way®"



Failure in sales growth attributed to:

- Ineffective advertising
- Pricing issues

Recommendation:

- New marketing strategy to increase market and profitability

# Marketing Research

"TiVo, TV your way®"



- ◆ Primary Data Source (questionnaire)
  - Location : Waterfront Shopping Center
  - Contact method : Personal
  - Sampling unit : Individual households
  - Sampling procedure : Random
  
- ◆ Data Source Analysis
  - Increase awareness in the general public
  - Overcome the perception of "expensive VCR"
  - Adjust pricing plans
  - High customer satisfaction
  - Huge potential market

# Marketing Research Sample

"TiVo, TV your way®"



## TiVo Digital Video Recorder Survey

As part of a class project in Carnegie Mellon University, our group is conducting marketing research on the TiVo digital video recorder. Please take a few minutes to fill out this short survey. We assure you that all responses will be kept confidential. Once again, the survey will only take a few minutes, and your participation will be greatly appreciated. Thank you!

**1. What is your age?**

- <18
- 18-22
- 23-27
- 28-32
- 33-37
- >38

**2. What is your gender?**

- Male
- Female

**3. Household Size, please specify: \_\_\_\_\_**

**4. Annual Household Income**

- <\$15,000
- \$15,001-\$30,000
- \$30,001-\$45,000
- \$45,001-\$60,000
- \$60,001-\$75,000
- \$75,001-\$90,000
- >\$90,001

**5. Marital Status**

- Single
- Married
- Separated / Divorced

**6. Typically, how often do you watch TV?**

- 0-7 hours per week
- 8-15 hours per week
- 16-23 hours per week
- Over 23 hours per week

**7. How did you hear about TiVo?**

- Online reviews
- Commercials on TV
- Product displays in malls
- Magazine
- Newspaper
- Word-of-mouth
- Other, please specify: \_\_\_\_\_
- Never heard of TiVo

**8. What is the maximum you are willing to pay for a digital video recorder?**

- <\$300
- \$301-\$450
- \$451-\$600
- \$601-\$750
- \$751-\$900
- \$901-\$1050
- >\$1051

**9. Do you like watching TV commercials?**

- Yes
- No

**10. Ownership of digital video recorder?**

- TiVo
- Philips TiVo recorder
- Sony TiVo recorder

*(Please continue with the next question if you've selected any one of the above 3 options.)*

- ReplayTV
- UltimateTV
- Satellite dish
- None of the above

*(Please skip to question 15 if you've selected any one of the above 4 options.)*

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This section is only to be completed by **existing TiVo owners**.

**11. Do you record TV shows?**

- Yes
- No

**12. How many TV shows do you typically record in a week?**

- 0-3 shows
- 4-7 shows
- 8-11 shows
- More than 11 shows

**13. "Overall, I am satisfied with my TiVo digital video recorder."**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**14. What do you like and/or dislike about TiVo?**

Like, please specify: \_\_\_\_\_  
Dislike, please specify: \_\_\_\_\_

End of Survey - Thank you very much for your time!

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This section is only to be completed by people who do **NOT** own a TiVo/digital video recorder.

**15. Do you plan to purchase a digital video recorder within the next 6 months?**

- Yes
- No

**16. Do you own a video cassette recorder (VCR)?**

- Yes
- No

**17. What reason(s) prevent you from owning a TiVo?**

- Own another brand of digital video recorder
- Too expensive
- Insufficient product information
- Don't find a need to purchase a TiVo
- Never heard of TiVo
- Other reason(s), please specify: \_\_\_\_\_

End of Survey - Thank you very much for your time!

# Target Market

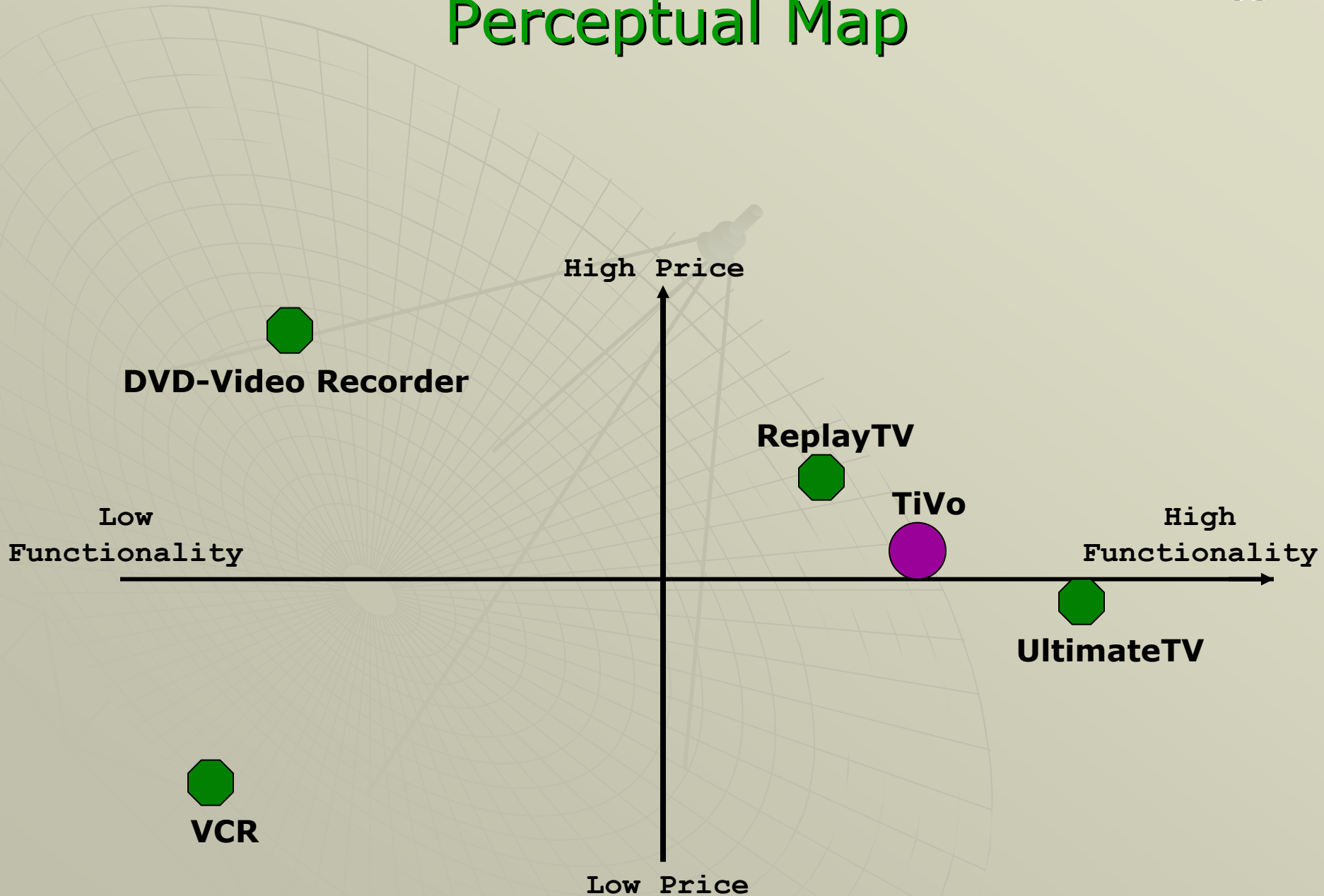
"TiVo, TV your way®"



- Young professionals (23-37 year-old)
- Males
- Middle-income households



# Market Positioning Perceptual Map



# Marketing Plan

"TiVo, TV your way®"



- ◆ Initiate new pricing strategy
  - ◆ Goal: Achieve 200,000 unit sales
- ◆ Launch advertising campaign
  - ◆ Goal: Achieve additional 200,000 unit sales
- ◆ Reassess market



# New Pricing Strategy

- ◆ Promotional period will last 4 months
- ◆ Consumers will be given two purchasing options
  - Present method
    - ◆ Pay \$399 for hardware
    - ◆ Pay \$12.95 monthly for service subscription
    - ◆ Or pay one-time \$200 lifetime service subscription
  - New method
    - ◆ Sign a three-year contract and pay only \$24.95 monthly for service *and* hardware
    - ◆ After three year contract is up
      - Pay \$12.95 monthly rate
      - Or pay reduced price (\$149) lifetime subscription



## New Pricing Strategy (continued)

- ◆ Expect to sell 200,000 units with new pricing strategy
  - 200,000 units cost \$60 million (\$299 per unit)
  - TIVO will pay half of the cost to produce the units (\$30 million)
  - The remainder will be paid through a portion of the monthly subscription
    - ◆ \$4.60 of each month's subscription will go to hardware providers

# Advertising Campaign

"TiVo, TV your way®"



- ◆ \$104,341,000 is available in Sales and Marketing budget
- ◆ 63% of budget for promotion and advertising
- ◆ \$30 million for new pricing strategy promotion
- ◆ \$35.5 million for advertising campaign

# Advertising Campaign (continued)

"TiVo, TV your way®"



## ◆ Allocation of Advertising budget

(in millions)

- |              |        |
|--------------|--------|
| • Television | \$20   |
| • Print      | \$8    |
| • Sponsor    | \$5    |
| • Radio      | \$2    |
| • Giveaways  | \$0.5  |
| <hr/>        |        |
| • Total      | \$35.5 |



# Budget

- ◆ Sales and Marketing: \$66M (same as 2001 S&M budget)
- ◆ Projected Revenue: *assuming 200,000 sold under new pricing plan*
  - TIVO Revenue over three years
    - ◆ 36 months x 200,000 x (\$24.95 - \$4.60)  
**= \$146,520,000**
  - Hardware provider portion
    - ◆ 36 months x 200,000 x (\$4.60)  
**= \$33,120,000**
- ◆ Projected Return on Investment over three years: 488%

# Reassessing the Market

"TiVo, TV your way®"



- ◆ After the 4 month promotional period is over, we will look at
  - Unit sales
  - Number of contracts signed
  - Compare the two to determine if the contract is effective
  
- ◆ If the contract is effective, we will extend it for the remainder of the year and reassess the market again.
  
- ◆ If the contract is ineffective, we will discontinue it and look into promotional methods to increase sales.



# Q & A

