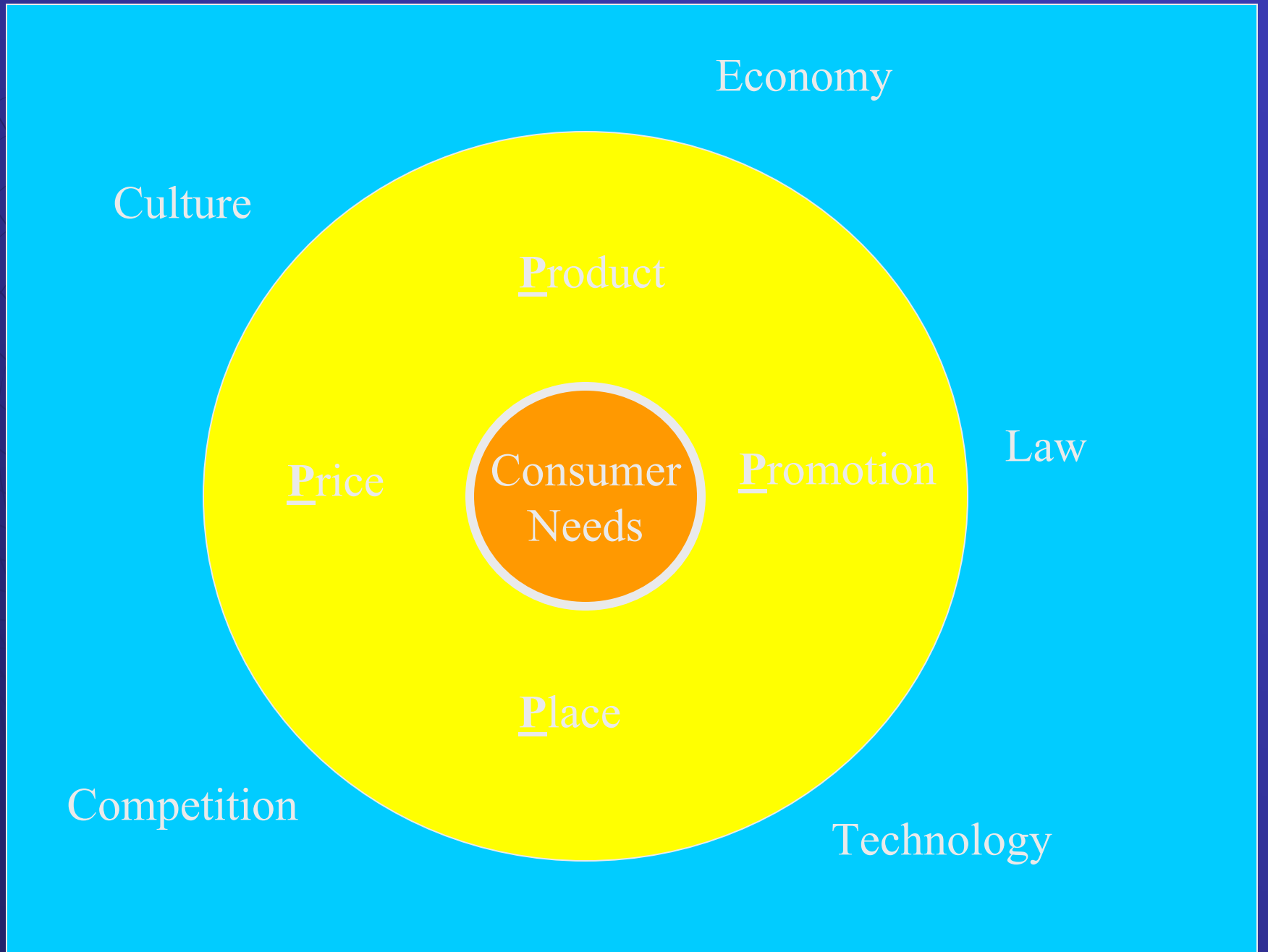


Ideas/issues for Group Project.

- ◆ Don't rely (only) on your own intuitions.
Interview 10 people
- ◆ Consider Public Service ads: Anti-drug; anti-smoking



Economy

Culture

Product

Law

Price

Consumer
Needs

Promotion

Place

Competition

Technology

Hi Tech and Low Tech products: Similarities and differences

- Difficult to define what "high-tech" entails. (Even "low tech" industries use the latest production technology).
- High tech products usually have more uncertainty

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

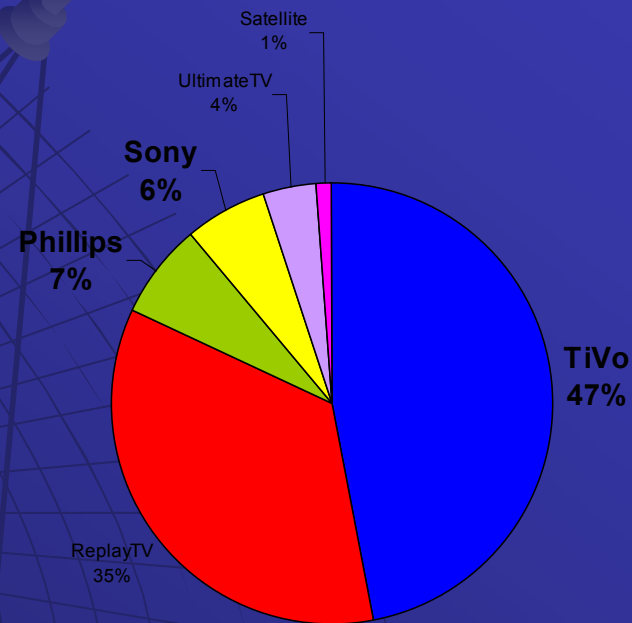
- ◆ DVR penetration highest in digital cable and DSL homes

- ◆ 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

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

Failure in sales growth attributed to:

- Ineffective advertising
- Pricing issues

Recommendation:

- New marketing strategy to increase market and profitability

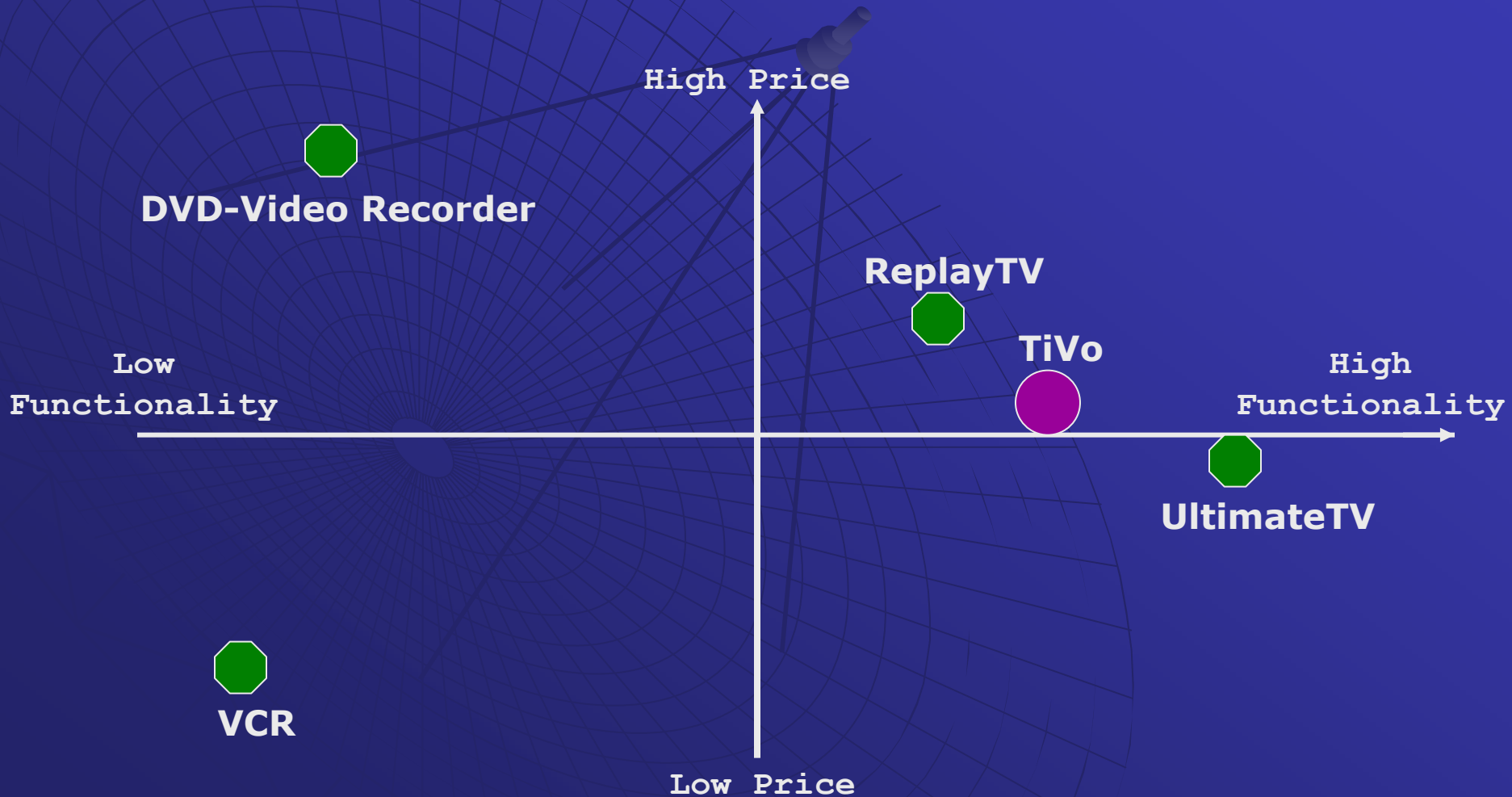
Marketing Research

- ◆ 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

Target Market

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

Market Positioning Perceptual Map



Marketing Plan

- ◆ 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

- ◆ \$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)

◆ Allocation of Advertising budget

(in millions)

- Television \$20
- Print \$8
- Sponsor \$5
- Radio \$2
- Giveaways \$0.5

- 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
 - ◆ $36 \text{ months} \times 200,000 \times (\$24.95 - \$4.60)$
= \$146,520,000
 - Hardware provider portion
 - ◆ $36 \text{ months} \times 200,000 \times (\$4.60)$
= \$33,120,000
- ◆ Projected Return on Investment over three years: 488%

Reassessing the Market

- ◆ 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

