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TiVo courts search giants

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http://news.com.com/TiVo+courts+search+giants/2100-1041_3-5673225.html

Story last modified Mon Apr 18 04:00:00 PDT 2005

TiVo is in talks with Internet search giants Google and Yahoo over a possible deal aimed at bridging television and the Web, CNET News.com has learned.

The talks are still fluid and could result in a number of outcomes, two sources familiar with the negotiations said.

One scenario that's been discussed would see TiVo partner with Google or Yahoo on a new service that would let consumers search for videos on the Web and then watch them on their television sets, according to one person with knowledge of the talks, who spoke on condition of anonymity.

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What's new:

Digital video recorder company TiVo is talking with Internet search giants Google and Yahoo about a possible deal aimed at bridging television and the Web, CNET News.com has learned.

Bottom line:

A partnership between TiVo and a major Internet search engine would offer expansion opportunities for both. TiVo has long talked about becoming the "Google of TV," and Google and Yahoo are investing heavily in video services.

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A second person familiar with the talks said TiVo has held talks with both Google and Yahoo about a potential equity investment, including the possibility of an outright acquisition. Any deal would likely be exclusive, this source said, Nothing has been finalized, however, and the talks could yet fall apart.

"A deal to cooperate could happen quickly, but then the details would have to be worked out," the first source said. "The search companies need to work with companies like TiVo because they have access to the living room, and they own a television interface."

A TiVo representative declined to comment for this report. Jennifer Feikin, director of Google Video, said she could not comment on any TiVo talks at this time. Yahoo spokeswoman Kathryn Kelly said the company does not comment on rumors and speculation.

A partnership between TiVo and a major Internet search engine would offer expansion opportunities for both. TiVo has long talked about becoming the "Google

of TV," eventually enabling its 3 million subscribers to search for and watch any broadcast or broadband media. Though TiVo opened the door for video downloads straight from the Web, it does not yet offer such a feature.

Meanwhile, Google and Yahoo are investing heavily in video services.

Google this week began soliciting video submissions to its searchable broadcast archives, inviting small and major producers alike to host or sell playback of their work using its servers. The project builds on Google Video, the company's latest experimental work to archive closed captioning of broadcast television shows and make their content searchable. The beta project launched earlier this year, but it has yet to allow people to watch video clips.

Yahoo this year also launched a searchable video archive.

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Both search giants have for now focused on PCs and the Web, but ultimately, industry observers believe, their plans will involve television, which generally offers viewers a better video experience.

Google and Yahoo are in such fierce competition that neither wants to let the other land a deal with TiVo that might provide an edge. That could strengthen TiVo's hand at the negotiating table, one source said.

Though details have yet to be worked out, a number of possibilities have been put on the table, sources familiar with the talks said.

For example, a TiVo deal might allow Google or Yahoo users to find video files on the Web and then watch them on their televisions. Web surfers might provide some personal information, including their TiVo serial box number, in order to download video directly to their TiVo box. A credit card number might also be required, if the video had an associated fee. TiVo would collect a share of the fees from either customer payment or from advertising-supported video.

Such a Yahoo or Google deal would be attractive to TiVo because it would promote TiVo's service among a broad audience, potentially selling more set-top boxes that are broadband-enabled. Right now, the company has an estimated 300,000 customers using its broadband-connected boxes, versus close to 3 million using a dialup connection that wouldn't allow for a Web to television service.

"A big user interface extension"

Mike Homer, a former TiVo board member who still serves as a consultant for the company, said he did not have specific knowledge of a pending deal with Google or Yahoo. Nevertheless, he said a collaboration between TiVo and a Web search engine in that class would be a win for both.

"You can think of this as a big user interface extension," he said. "It makes a lot of sense, and you could almost claim that it is totally necessary...it's a no-brainer."

To be sure, there will be many issues to iron out before successfully transferring Web video to the television. TiVo will likely have to expand its storage capabilities. The quality of Web video must improve for television viewing. And bandwidth capabilities in homes must expand, among other considerations.

More problematic, however, are copyright issues that need to be ironed out with broadcasters and content producers, as well as the inevitable pushback from television networks and cable companies. Cable companies, for example, are reluctant to abandon control of their distribution channel to consumers by allowing in millions of new feeds of content.

Any new Web-based video service TiVo develops will also face some stiff competition. Companies such as Akimbo and Brightcove.com want to help give independent videos new distribution onto the television. Akimbo, whose set-top box lets people watch thousands of shows from the Internet on their television set, hopes to eventually partner with cable companies or set-top-box manufacturers to plug in its service similar to that of TiVo's. The difference in the two strategies is that TiVo does not want to license or own the content it distributes, at least for now. And Akimbo has yet to develop a substantial subscriber base.

TiVo has long been seen as a takeover candidate, given its relatively small size, lack of profits and its ambitions to challenge television and cable industry giants. Among its chief attractions is its brand, which is to DVRs, or digital video recorders, what Xerox is to copiers. Apple Computer, Sony and Comcast have all been mentioned as potential suitors, although no offers for the company have been confirmed.

TiVo's courting of Internet search engines comes as the company's fortunes are reviving, thanks to a recent deal with cable giant Comcast that would see the DVR-maker co-develop a version of its video recording service that Comcast would offer as an option to its 21.5 million cable subscribers.

Setting itself apart

The Google alliance would be the latest in TiVo's efforts to create new services to differentiate itself from a crowding DVR market.

TiVo has been developing what it calls its Tahiti strategy for nearly two years. Services being developed as part of the strategy aim to make Internet content available to TiVo DVR subscribers on their television. Initial efforts include: making movies and trailers downloadable to a TiVo recorder from an Internet-connected PC; buying products through the TiVo interface; and searching local movie theater listings.

The DVR company also made content on its recorders available on PCs through its TiVoToGo service.

TiVo has become especially aggressive recently in efforts to develop new services as competition has increased in the DVR market. New Tahiti services are expected to become available throughout the year, Chief Executive Mike Ramsay said earlier this year at the Consumer Electronics Show in Las Vegas.

The CEO's visions for such efforts are so ambitious that he expects the model where Internet-related content is played on televisions to challenge the broadcast television industry in the next 10 years.

The DVR pioneer has to have such grand visions for its service, otherwise it risks being lost in the woods as other companies try to pick off customers. The biggest threat to its business involves TiVo's largest customer, DirecTV.

The satellite service operator accounts for more than half of TiVo's subscribers. DirecTV said it would use software developer NDS as a second supplier for DVR technology. DirecTV has not turned on features beyond TiVo's core DVR service, such as Home Media features, to the chagrin of DirecTV TiVo subscribers.

In addition, a DVR feature is at the heart of Microsoft's Windows XP Media Center Edition, and satellite service company EchoStar Communications also features a DVR in its set-top boxes.

Comcast also launched a DVR feature for its cable service, which was a blow to TiVo's efforts to woo the leading cable company in the United States. However, in a coup, TiVo managed to ink a distribution deal that will kick in with the first of their co-developed products in mid- to late-2006 and will use the TiVo brand.

Despite the addition of Comcast as a partner, TiVo has been developing new features and advertising methods to again set itself apart from the television industry.

"There are those out there who think that DVR is the endgame," Ramsay said at CES earlier this year. "DVR is not the endgame, it's just the beginning."

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