

Q&A: Amazon executive sees Fire TV as high-value

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Amazon.com Inc.'s new Fire TV streaming-media device is the third hardware category for the online-retail giant, following its Kindle electronic readers and Kindle Fire tablets.

The executive leading the push into the hardware world is Dave Limp, a vice president with a long pedigree in tech, having worked at Apple and Liberate Technologies, an early pioneer in interactive television.

Amazon's new device, developed at Lab 126, its secretive research and development facility in Silicon Valley, will let customers watch movies and television programs from the company's Netflix-like Prime Instant Video. But it will also run Netflix, as well as another rival service, Hulu.

And the device is a game player as well, featuring titles from such publishers as EA and Ubisoft, as well as Amazon's own game studio.

Limp spoke with The Seattle Times after a media gathering Wednesday in New York to unveil the device. Here's an edited version of that conversation:

QUESTION: How long has Amazon been working on Fire TV?

ANSWER: We've had versions of this in the lab for a long time. But in earnest, the past couple of years, 18 months, we've found a couple of the key things where it made sense to productize it.

Q: You've said that Amazon won't jump into a new hardware category unless you have something that truly differentiated from existing products. So what's truly differentiated in Fire TV?

A: The first one is that Moore's Law (which holds that chips processing speeds double every two years) didn't seem to apply to this category of devices. Streaming-media players, when you tore them apart, were underpowered.

When we put best-in-class processor technology in this, what we have in our tablets, what other people have in their phones, all of a sudden, it was just much more seamless.

The second step was when we got voice to a place where it wasn't frustrating. It was frustrating in two dimensions. One, it wasn't very accurate. And the second part was that it was slow. By the time you did the round trip (from speaking a query into the remote to receiving the results), it felt inconvenient. When we got the accuracy much, much higher, and also got the latency down to a very short period of time, that seemed very differentiated.

The last one - and it was a bonus feature - is that once we packed all the hardware in to, first and foremost, make a great streaming experience, it turned out games ran really well.

Q: Tell me how you worked through the decision to price the Fire TV at \$99.

A: Our philosophy, which hasn't changed even as we add a third category of devices, is we try to effectively break even on our devices when we sell them, and we want to make money when customers use the devices.

The \$99 price point is almost an output of the process. Now, as

customers use it, we'll be aligned with them, as they buy videos, when they subscribe to Netflix, when they subscribe to Hulu Plus.

When I look at the landscape, the Apple TV, the Roku 3 are both \$99. And when I compare our specifications and feature sets to the ones at that same price point, it's unbelievably more value.

Q: To be clear, this device is priced at roughly break-even for Amazon?

Our goal is to price our devices at effectively break-even. I won't talk to this one specifically, but I will say that is our goal, so that we're aligned with customers.

Q: How important is it for Amazon to maintain control over its services, something it can't do as well when they run on competitors' devices?

A: I think that's a great-to-have, but not a must-have. The must-have is that it has to be a great stand-alone device that is a best-in-class streaming device. That being said, since we also make tablets, we wanted to make sure they are better together.

Q: What about with Amazon Prime Instant Video? Before Fire TV, I'd have to watch programs on a rival device. Is Amazon Prime Instant Video shown in a more featured way?

A: The "Movies" and "Television" categories are ours. We do want to make it as fair an experience as possible. That's why Hulu and Netflix are here. We need to treat them as first-class citizens. They are very popular services.

Q: I expected there to be some added benefit for Prime subscribers, perhaps a lower price point for them.

A: I wouldn't rule that out. But right now, we thought it was a great value at \$99. And if you're a Prime subscriber, the product is just that much better because all that free content is front and center.

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