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Game Strategy

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Nicholas Wodtke of Snap TV shows some of the company's DVD games.

Just about every kid, it seems, loves playing video games.

But not every parent can afford the \$300 price tags that the best videogame systems like Sony's PlayStation 3 and Microsoft's Xbox carry, not to mention the games themselves.

Enter Snap TV Inc.

The small Santa Monica-based company is trying to capitalize on the popularity of the game consoles by producing video games that play on regular set-top DVD players. The games are played using the DVD remote, without added converters, adapters or additional hardware.

The first four Snap TV games launched last year and sell for a comparatively inexpensive \$24.95 in outlets including K-Mart, JC Penney and Barnes & Noble. This year the company has 15 games selling in retailers' toy aisles, and by year's end will have more than 30.

"For us, the format is the way in," said Snap TV founder Nicholas Wodtke, a former Sony executive. "DVD is so prolific - it's in the living room, the kids' room and the backseats of cars. Other people see just a DVD player; I see a game console."

The concept isn't foolproof, however, and the challenge is profound: many industry observers believe that the popularity of the DVD as a format has peaked, and that it will soon be replaced by one of the myriad emerging delivery platforms.

"We don't want to sell any new technology; it's very hard to get people to adopt," said Jason Tenenbrown, Snap TV's director of marketing. "There are three (new) consoles coming out, they are very expensive and we don't want to compete with that."

Video on demand, wireless and broadband are all seen as potential successors to the position of the DVD's current position as the primary delivery system.

"The DVD format is still selling, it's well-penetrated and there's still plenty of time," Tenenbrown said.

Wodtke is aware that the clock may be ticking on the demise of DVD, and is counting on revenue from his firm's current offerings to help it access other formats, in time. To ensure longevity, Wodtke is developing more in-house content and presently looking to distribute Snap TV content through video-on-demand platforms. He said the company will announce a major partnership in the next month.

Content is key

Snap TV's technology is nowhere near as advanced as that of the more expensive consoles, but the company's goal is simple: produce targeted content that is more attainable for the average consumer.

"We are a content company more than a technology company," Tenenbrown said.

Its games are primarily multiple choice questions or children's puzzles. They can be solved with a limited number of possible answers using the up, down, right or left options on a standard DVD remote control.

The offerings are divided into three categories: kids, sports, and general entertainment/trivia. In the kids' category, Snap TV targets 6- to 9-year-olds, younger than the typical PlayStation or Xbox crowd.

The games have been developed with some high-profile partners. Major League Baseball, soccer's FIFA and the National Collegiate Athletic Association are all licensees.

Snap TV has also partnered with educational outfits such as global children's publishing, education and media powerhouse Scholastic Corp. and its entertainment and media division, Scholastic Media. The DVD games, designed to develop children's learning skills, are based on some of the popular Scholastic properties, including "Clifford the Big Red Dog" and "I Spy."

Maggie McGuire, director of Scholastic's Interactive Media division, said Snap was a good match for her company because the company is both creative and aggressive in its market space.

"Snap TV dedicated all of its resources to this," she said. "They are staking a claim and putting a lot behind it in the space." Because the

DVD video game space is still emerging, McGuire said it was a gamble for the company. She admits the jury is still out, but appreciates Snap TV's singular mission.

"All the other business that are trying to get into this arena, like Mattel Inc. and Hasbro Inc. have other business areas," McGuire said. "So this wouldn't be their only thing, but rather one of many, many product lines."

Snap's opening

Wodtke was an early convert to interactive television and that was part of his motivation for leaving Sony and seeking Snap TV's niche.

"I saw that cable was moving so slowly in that area, and that there were very few digital cable households," he said. "That's when the penny dropped."

Wodtke founded the company in 2002. He got the operation up and running with private equity funding and venture capital from New York investment bank Arnold & S. Bleichroeder Holding Inc. and European firms MediaWin & Partners and Berfin Ltd.

The company's revenues are under \$10 million, but the game maker has jumped from four full-time employees in 2003 to 20 last year. Wodtke said Snap TV is "well funded" and won't need to raise more capital in the near term. He also said the company will have a positive cash flow by next year and that there are no plans to take the company public anytime soon.

It took about three years for the company to develop and perfect the technology. The company's major competitor is Scene It, a larger Seattle-based outfit owned by Screenlife Inc. that Wodtke describes as the "gorilla in this space."

Scene It launched in 2001 and has partnerships with major studios including Fox, Disney and Warner Bros. and has released DVD games including "American Idol-All Star Challenge," based on the TV show.

Wodtke said Snap TV's advantages over competitors like Scene It include lower prices (most Scene It games retail for about \$33) and the company's Southern California location, which affords it the ability to draw from the large pool of potential employees with experience in the entertainment field.

"From a company culture perspective, we're young and motivated," Wodtke said. "There's so much talent here in L.A. that it's a great resource for us."