

Oz TV

Corey Baker, a senior executive at one of Kansas's premier television service providers, Oz Television, took another sip of coffee. He had been vigorously preparing all day for next week's board meeting. Despite steady demand, this year's financial figures were troubling. Baker had to clearly address Oz's financial situation and offer a comprehensive solution in his presentation to the board.

Oz Overview

With headquarters in Topeka, the Kansas state capital, Oz was a dominant TV service provider for Shawnee, Jackson, Jefferson, Osage, and Wabaunsee counties.¹ Oz's primary revenues came from monthly subscriptions, and primary variable costs came from fees paid to cable networks, such as ESPN, MTV, and HBO. Monthly fees varied across networks. ESPN, for example, cost \$4.69 per subscriber, while MTV2 cost only a few cents.² Oz's average variable costs were \$0.25 per channel per subscriber per month.³

Subscriber Ordering Process

Subscribers chose among Oz's Bronze, Silver, and Gold plans (see **Figure 1**).

Figure 1

Oz TV Subscription Plans and Fees

Programming Plan	Features	Monthly Fee
Bronze	200 Channels (50 in High Definition, 50 Music)	\$70
Silver	300 Channels (70 in High Definition, 50 Music)	\$85
Gold	400 Channels (100 in High Definition, 50 Music, Some Premium Movie and Sports Channels)	\$110

Typically, 50% of subscribers chose Oz's Bronze package, 30% Silver, and 20% Gold. All subscribers signed a six-month minimum contract and, on average, kept their subscriptions active for 40 weeks.

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