URL: https://stvp.stanford.edu/blog/videos/dangers-business-model

Danger's revenue comes from three sources: initial sign up fees, monthly service fees, and through a web share on content and applications that get downloaded to the device.

Transcript

So, we make money three ways.. One of the things that, I said, we're kind of aligned with the wireless carriers, we don't make money on devices.. So, building that device, there's various ways you can get a device built.. You can have a contract manufacturer build it.. You can have an ODM build it, which is an Original Design Manufacturer.. They have a little bit of their own technology, they don't just build what you tell them to build.. And then there's an OEM, which kind of builds that thing themselves and then uses your software, right? So, of those three different ways to manufacture a product, we provide a reference design and software.. Do you want to elaborate just a little bit? Sure.. So, basically, I was like, "A brand you've heard of," that grants their products.. They do it all..

But, we decided we're going to create this product.. We initially cut off the first set of hardware because there wasn't anything out there that can support the features we want it to have on the device.. But in manufacturing it, we essentially passed on the hardware cost to the wireless carriers.. And, as our business evolves, we're trying to enable people to follow on devices to that.. We have a hand in their conception and design, but we're trying to add value on the cell phone services.. We're not that much of a hardware manufacturer so we tried to partner with existing hardware manufacturers to get the device made.. So, just to expand on, hardware is not where we make our money.. We want to get it out there and then make our money in other ways.. So, we're a device-enabled service.. That's the device that enables the service..

So, the way we make our money, the three ways me make our money are: a small activation fee, to bring a new subscriber on to our service; a recurring service fee for hosting these applications that are running on the backend, like a proxy for the web.. What are some of the other services that we host on the backend? Well, we backup all your data.. Unlike a Palm, if your battery dies.. Tell them about the CES, the first CES that we did.. The demo of how we demonstrate.. The one with the bowling ball? Oh, yeah.. So, one of the big differentiators between the Danger device and all the other PDA and phone-like devices is that all of your data is backed-up on the service.. And no matter what happens to your device, your data is safe.. If your battery runs down, you charge it up, the service downloads everything back to the device again.. If somebody steals the device or you lose the device or you buy a new one, you login to your account, all your data comes back down again..

So, we did a demo at CES where we took a device and got a bowling ball on it and smashed it.. And then brought another device and showed the data come back down to it.. When you think of that case, if you stole the SIM, pull the SIM out of one device stick it on another one your account follows.. That's right.. Because that's your identity stored on the SIM.. So, the services, the ability for the cloud to be your data warehouse, the ability for web pages to be rendered not on the device itself using its battery and its memory but on sort of from the backend that knows how to render web pages for a device of certain characteristics.. All of that value on the backend was sold to the carriers on a recurring basis per subscriber per month, okay? And the third way we make money is we have a small rev share on content and applications that get downloaded in the device.. The device since it is a ground-up effort from a clean slate to designing a device operating system and all the current applications that are important.. Web browsing, instant messaging, email, photo gallery, all these applications, the

middleware of that, that talks to the backend was basically built to support those applications.. And, inside of that middleware is also a distribution manager we call the Premium Download Manager that is there to basically to receive new content over the air..

And then we have a server on the backend that distributes that content and also hooks in with the carrier's built-in system.. So, if you download a ringtone it comes over the air, gets installed automatically.. And on your bill next month there will be a line item like a pay-per-view in a cable bill that says, "Micro-billed," 9 cents for that ringtone, or whatever it is...