

URL: <https://stvp.stanford.edu/blog/videos/the-danger-product-and-business-model>

Danger has developed a low-cost combination device that functions as a phone, and is internet and email compatible, that is marketed to the young and hip. The business model is built around the services sold to wireless carriers so they are able to sell the devices cheaply and then make money on the back end.



Transcript

How many people are familiar with the product? Okay so we have about half of the audience.. I hope you all own one actually.. I know this guy does.. I saw him using it.. Yeah.. It felt like our engineer is kind of mediocre and.... We maybe able to get a tight camera shot if you.... Sure.. So here all.... So basically it's, we realized that there was this convergence of voice and data..

We realized that some of the work we have been doing for these portable tamagochi style internet sponges was relevant in the wireless area.. So we kind of combined the two and came up with this product which was actually when it was released was one of the first two and a-half G wireless voice devices.. And the one that we're showing you here is actually the first we released in October of.... If you want to lay her open.... It will take a second.. Yeah, it's booting up still.. Really spectacular boot animation is about to be displayed.. So what this is is, this is a front end to a set of data services we have in the back end and those data services are what we sell to wireless carriers.. So it's actually, I mean the really great thing is we have a product here that's in the physical world that we can show you and play with and it's exciting, it's colorful and it's kind of cool... But the business is built around the service that we sell to wireless carriers, which is primarily a software business..

So the unique thing about this is our business model derives its money from the wireless carrier and it's services completely different than how regular cellphone OE manufacturers make their money.. Cause they're making their money on margin on unit cells.. They're trying to sell more cellphones.. But if you know how wireless carriers make their money, they subsidized the price of these things down so they can get new subscribers and a contract for a year or longer.. So there's this kind of, it's a competitive thing between the wireless carriers and the OEMs.. The OEMs want to sell more devices but the carriers want to buy down those devices.. They only want to do that once every 12 months.. So that's kind of a conflict.. So what we arrived on is basically a mechanism to build a very inexpensive device using something similar to thin pint technology that Joe and Matt can talk more about.. And undercutting the price of physical devices creating less of a subsidy for the wireless carrier and then making money on the back end so we were more aligned with the business models of the carriers than the other OEMs and that created great opportunity for us..