



Stanford eCorner

How Danger's First Customer Became a Business Partner

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Danger's first customer was Voice Stream, which later was acquired by T-Mobile International. Voice Stream was a small company looking for something innovative to differentiate themselves from the competition. They found that innovation in Hiptop. Danger initially treated them as a partner rather than a customer. The two companies provided valuable services to each other and the deal solidified Danger's business plan. Since Hiptop was still in development at the time of the deal, Voice Stream was able to contribute to the product design, including giving it voice capabilities, which was not in the original design.



Transcript

Well, it's actually a pretty interesting story because today, as of a couple of weeks ago, Danger has raised \$100 million in venture capital and strategic investment. That got us to where we are today and also funds to where we are fully-funded business firm. At the point when we really needed money, when we were trying to build hardware and didn't have enough money to do it, that's the point where we got our first customer. That at the time was VoiceStream, which later got acquired by T-Mobile International. The interesting thing about that -- and rather than a customer, we initially looked at that as a partnership. There was a value in services that we can give them and there was a value that they could give us. They made a strategic investment in the company and everybody was happy. But what that did is that it solidified the business plan. They basically approved the model. The carrier was ready to sign up for the model.

The model actually evolved a little bit during the negotiations with the carrier so we were flexible enough to realize that some of the things we were asking for were impossible and changed. And in the end, the first one was the hardest one because a lot of things were changing. The product was still being built. The fact that the product was being built at that time had a great amount of value to VoiceStream because they were this new and up-and-coming carrier. I think they had 3 million subscribers when we first started talking to them. Now, they have 14 million. And they were basically trying to run this race with giants, so they needed something like a product as innovative as the Hiptop to help them differentiate themselves. So it was just a perfect opportunity to work with together. And because the product was not done, it was still in development, that was the opportunity for them because they could basically specify things that were important to their business to be included in the product. One of the things when we were originally designing the product, they said, "It didn't include voice." It wasn't a phone.

We didn't think a convergence will happen in the initial shipping timeframe. We thought, "People wanted a wireless data device," so the phone will eventually become one more device. They basically told us, "That happens now." So we added it in. And it's not a perfect phone in a lot of ways but part of the constraint was that we didn't actually intend for it to include that functionality but they told us it was ready, so we put it in there. And it was great to work with them and remained so when we

were really exchanging ideas and talking about technology in our business and how we can help them in their business. They're a partner as well as a customer. So after the first wireless carrier, things got a lot easier because the business model was proven. And not only was the business model proven, but we had customers. And once we had customers on our networks, through some sophisticated data-mining on the backend, we could tell how the device was being used. Not what people were doing but in aggregate, what's interesting in this category of products.

And then we could feed that data back to wireless carriers, including new customers. So we can tell them basically it boiled down to a spreadsheet. After a little bit of usage and a little bit of experience with the customers, we could say, "Here's how much money we could save you. Here's how much we can reduce the bandwidth required to deliver content. Here's how much we'd reduce your turn. Here's how much we reduce your customer care expenses. Here's the opportunity for third-party applications to be downloaded over the air so you have another revenue stream possibility." So all these things that were ideas and concepts after the release of the first product became fundamental selling points for new customers.