

URL: <https://ecorner.stanford.edu/in-brief/a-virtuous-cycle-of-revenue-and-content/>

Rad co-founder and CEO Tony Mugavero explains how his company transitioned from exclusively offering free content to adopting a freemium model where users pay for some higher-quality content. While free content can be essential to gaining market share, he emphasizes the importance of finding the right early opportunities to start charging for content, so content revenue can begin fueling investment in increasingly impressive content, creating a virtuous cycle.



Transcript

- Initially we kept everything free because 00:00:09,210 that's a lot of times early consumer venture backed businesses remain free to capture market share and then they figure a business model out later. Sometimes it works great other times that's not the right path. And so, we were able to build a good audience early in the VR space. But as the market started to shift and content started to dry up and people weren't making VR movies necessarily like there was really more attention to games. We started to have to think okay, what's the actual model here? And we can keep some of it free but start to introduce a subscription service. Some of these VR films are 20 minutes long and really well produced 8K, 360 degrees, spatial audio, multiple languages. There's substantial piece of content that are worth paying for, there's just not a lot of it. (laughs softly) And so as we started to introduce more traditional content alongside that with like for example, WWE, they created a bunch of 360 degree video but then they also created a bunch of traditional video. I mean, everybody knows WWE, they have WrestleMania. And then we even experimented with them with AR holograms that (mumbles) using volumetric video.

And so our content deal with WWE was 360 video, traditional video and holograms, (laughs softly) which is like a content deal that nobody's doing. (laughing continues softly) And I think people are willing to experiment with but it puts us in this unique position from a business model perspective to say we can introduce people to these things for free and give them a taste of it then do some of the harder, more expensive things. And even from a content perspective, even traditional content can be expensive. Put some of those things behind an actual subscription that start to get the flywheel going a little bit. It breaks the chicken and egg of, "We're not making any money on the content so we can't spend any money on content. And that means we're not gonna be able to make any money on the content." We were able to break out of that dynamic about 18 months ago. And it started to roll now as a freemium, very Spotify for a TV kind of model...