

HW9-Team: Dropbox Case Instructions

Team number:

Names of students who actively worked on this assignment:

- Akash M Dubey
- Rutuja Kale
- Shiqi Yu
- Dhrakshayani Priyanka
- Divyank Jain

To set the “Dropbox” stage, first view this video: Forbes Dropbox interview:

<https://www.youtube.com/watch?v=mHrnCQls0Vc>

Next, as a team, discuss the case and write the answers to the assignment questions below. List questions above your answers. Be as detailed as practical.

2-page max for the entire assignment (not including Instructions page). Formatting: TNR 12, single space, 1 inch margins. 10% penalty if over page max and/or not following the formatting.

1. Dropbox is a late mover in a crowded market. What opportunity did Houston see and what was his competitive advantage?

- Though Dropbox was a late mover; but it seized the opportunity to focus more on synchronization of files with respect to any size and type helped them to build their focus on reliability and usability and thus win targeted customer segment well against their competitors
- Competitive advantage for Dropbox was its business model ; for example they didn't have an infrastructure build since they utilized amazon storage services which resulted in huge cost savings for their business and thus stronger business value.

2. What MVPs did they build, what assumptions did they try to validate, how did they reach target customers and what did they learn?

- Drew made a video that was the MVP, demonstrating the synchronization process end to end and posted it on Hacker News. This drove thousands of people to the website and their beta waiting list went from 5,000 to 75,000 people overnight. They wanted to collect feedback from users about their basic requirements and the challenge was to demonstrate the software in a prototype form.
- Their target customers are early technically adept. They could reach them by taking their feedback and making changes accordingly while building the product.
- They learned that putting something in users' hands for free and we'll get feedback asap and knowing the target audience and speaking their language would give great results.

3. When he applied to Y Combinator (see case Exhibit 3), what hypothesis did Houston hold about key elements of Dropbox's strategy? Be specific. As of June 2010, which of them turned out to be wrong? Be specific.

- Houston approached Y Combinator to get them to invest in his startup which was aimed at storing files and eliminating the use of a thumb drive. The hypothesis put forward by Drew Houston were:
 1. There will be a dropbox app as well as a web interface which will help people storing files and Dropbox used to store those files securely to Amazon S3.
 2. He had an idea to sync online google docs and spreadsheets to the local doc/spreadsheet apps so that they will be available in the offline mode as well.
 3. Dropbox helps to overcome that by saving large files; offline as well.
- The Hypothesis that went wrong were: Security Concerns, categorizing based on usage rate, Freemium business ideas, competitor information analysis

4. Should Dropbox launch a version targeted to SMBs? Justify your answer.

As discussed, Dropbox should launch a version targeted to SMBs. Reasons are as follows:

- This will help the SMBs who want the low rate and don't want to reduce the consistency.
- This will help them to increase business and profit by targeting the SMB's as we compare with Carbonite.
- For storage purposes Dropbox is using Amazon S3.
- Data security and usage rate being important; SMBs will get attracted by the information hiding and privacy feature. Quick sharing and cost features will be their USP for SMBs.

5. What is their cost structure? Are they profitable?

There are roughly five types of costs for Dropbox:

- (1) **Storage fee**-Since Dropbox provides cloud storage services via rented Amazon service.
- (2) **Request fee**-The rented Amazon service will also charge a fee for each HTTP request.
- (3) **Traffic fee**-Dropbox needs to pay for every upload and every download of a file.

- (4) **Labor costs**-Dropbox currently has more than 2,500 employees, which is labor costs
- (5) **Manufacturing expenses**-Daily expenses, such as water bills, electricity bills, etc.
- Dropbox is profitable, Dropbox's users who want to get all the features of Dropbox or a large amount of storage space need to upgrade the version and charge a subscription fee.

6. Three most important things you learned from this case?

Team member 1: Akash M Dubey

1. The Dropbox product creates a good single-person closed loop. It means that the user will always return to a certain function of the product because of a certain mechanism of the product, allowing users to use the product with peace of mind.
2. Dropbox creates a multiplayer network effect. The more users there are, the more files are uploaded and the more links between users.
3. The product team is responsible for creating value, and the latter two are for spreading value. In addition, the growth team is a cross-functional team that is responsible for turning new users into long-term users.

Team member 2: Shiqi Yu

1. Strong market demand is the soil for the production of products. The founding team of Dropbox did a demand survey on the Internet before developing the product. After receiving a lot of feedback they wanted, they made a sample, which can be said to be a hit overnight.
2. The core competitiveness should be placed on the product itself and let the product drive growth. Dropbox will continue to develop new products to gain more users.
3. Company teamwork is essential. Dropbox has three teams: product team, marketing team and growth team. These teams are very important, the structure is very detailed, this team has a series of employees such as designers and programmers. That is to say, every detail of the product has someone responsible.

Team member 3 : Dhrakshayani Priyanka

1. We need to understand our customers through extensive research like how Dropbox did before an MVP was ready.
2. Make the product itself viral and forget viral marketing, just like how Houston released a video and made people understand the working of the product.
3. Test the product rigorously(They ran extensive A/B tests on referral and signup flows) and following a lean methodology(Drew created a screencast and posted it on hacker news) would help learn a lot while building the product.

Team member 4 : Rutuja Kale

1. Dropbox has a user-friendly home page, using cloud storage you can access or sync your folders, files across multiple devices.
2. Instead of building a large group of traditional sales and marketing teams, Drew Houston has been employing resellers and most importantly Dropbox's partner-based approach.
3. Dropbox's biggest achievement is their Dropbox paper beta launch, it allows users to store, create, review and collaboratively organize their data.

Team member 5 : Divyank Jain

1. A customer base needs to be set up by making people aware of the problem that they are facing and how they react to your solution for the problem
2. One should always create a good business model with extreme care by taking into account all of the various segments into the picture to make a product profitable.
3. One should know how to persuade investors of the idea by knowing the product in and out and anticipating the doubts and questions investors might have and preparing answers accordingly.