

# Financial modelling of tranquil minds application

## 1. Revenue Streams

Let's start by defining the potential revenue sources for a mental health support app:

- **Subscription Fees:** Monthly or yearly fees for premium content, additional features, or personalized therapy sessions.
- **In-App Purchases:** Payment for guided meditations, exclusive content, or virtual products.
- **Advertising:** Revenue from running ads within the app.
- **Partnerships and Sponsorships:** Collaborations with healthcare providers, mental health organizations, or corporate wellness programs.
- **Affiliate Marketing:** Referrals to mental health products, books, or other related services.

## 2. Cost Structure

To create a financial model, we need to understand the primary costs involved in developing and maintaining the app:

- **Development Costs:**
  - *Initial Development:* Costs associated with building the app (design, coding, testing).
  - *Ongoing Development:* Regular updates, bug fixes, and feature enhancements.
- **Operational Costs:**
  - *Hosting & Server Costs:* Cloud infrastructure to support user activity and data storage.
  - *Customer Support:* Hiring personnel or using AI tools for customer service.
- **Marketing and Sales Costs:**
  - *Digital Marketing:* Social media campaigns, Google Ads, influencer marketing.
  - *Content Creation:* Costs for producing guided meditations, webinars, podcasts, etc.
- **Salaries and HR Costs:**
  - Payment for developers, therapists, marketing staff, content creators, and other employees.
- **Administrative Costs:**

- Legal, accounting, office space (if needed), software tools, etc.
- **Miscellaneous Costs:**
  - Licensing, compliance with mental health regulations, etc.

### 3. Key Metrics and Assumptions

Here are some key metrics and assumptions to consider for your financial model:

- **User Acquisition Cost (CAC):** Average cost to acquire a user through marketing efforts.
- **Customer Lifetime Value (LTV):** Average revenue generated from a user during their engagement with the app.
- **Monthly Active Users (MAU):** Percentage of total users who actively use the app each month.
- **Conversion Rate:** Percentage of free users converting to paid users.
- **Churn Rate:** Percentage of users who cancel their subscription each month.

### 4. Financial Projections

A basic financial model would include projections over a 3 to 5-year period:

1. **Revenue Projections:**
  - Estimate the growth in user base over time (using MAU, conversion rate, etc.).
  - Calculate monthly and yearly revenue based on subscription fees, in-app purchases, etc.
2. **Cost Projections:**
  - Estimate the initial development costs and spread ongoing development costs over time.
  - Project operational costs, marketing expenses, salaries, and other administrative expenses.
3. **Profit and Loss Statement:**
  - Combine revenue and cost projections to create a Profit and Loss (P&L) statement.
  - Determine the break-even point (when revenues cover costs).

### 6. Break-Even Analysis

- Calculate the point at which total revenue equals total costs.
- Understand how many users and what growth rate is required to achieve break-even.

### 7. Cash Flow Projections

- Track the inflow and outflow of cash over the same period to understand liquidity and working capital requirements.

#### **Tranquil Minds App Financial Model Assumptions:**

- **Number of Users:** 1,000 users
- **Subscription Fee per User:** ₹200 per month
- **Number of Subscribed Users:** 400 users (40% of total users)
- **Therapy Session Commission:** 5% commission per session
- **Average Therapy Session Cost:** ₹1,000 per session
- **Average Number of Sessions per Subscribed User:** 2 sessions per month
- **Marketing Costs:** ₹50,000 per month
- **Salaries:** ₹400,000 (for a small development team and therapists)
- **Rent:** ₹30,000
- **Utilities:** ₹10,000
- **Other Overheads:** ₹20,000

#### **Revenue Streams:**

##### **1. Subscription Revenue:**

- Monthly Subscription Fee per User = ₹200
- Number of Subscribed Users = 400
- Subscription Revenue = Monthly Subscription Fee per User x Number of Subscribed Users x 12 months
- **Subscription Revenue = ₹200 x 400 x 12 = ₹9,60,000 (₹9.6 lakhs)**

##### **2. Therapy Session Commission Revenue:**

- Average Therapy Session Cost = ₹1,000

- Number of Sessions per Subscribed User per Month = 2
- Total Sessions per Year = Number of Subscribed Users x Number of Sessions per Month x 12
- Total Sessions per Year =  $400 \times 2 \times 12 = 9,600$  sessions
- Total Revenue from Therapy Sessions = Total Sessions x Average Therapy Session Cost
- Total Revenue from Therapy Sessions =  $9,600 \times ₹1,000 = ₹96,00,000$  (₹96 lakhs)
- Commission Earnings from Therapy Sessions = Total Revenue from Therapy Sessions x Commission Percentage
- **Commission Earnings from Therapy Sessions** =  $₹96,00,000 \times 5\% = ₹4,80,000$  (₹4.8 lakhs)

### 3. Affiliate Partnerships:

- Affiliate Commission Rate: 5%
- Total Affiliate Sales Generated: ₹10,00,000 (₹10 lakhs)
- Affiliate Commission Revenue = Total Affiliate Sales Generated x Affiliate Commission Rate
- **Affiliate Commission Revenue** =  $₹10,00,000 \times 5\% = ₹50,000$  (₹0.5 lakhs)

### 4. Corporate Wellness Partnerships:

- Number of Corporate Partners: 10
- Partnership Fee per Corporate Partner: ₹20,000
- **Corporate Wellness Revenue** = Number of Corporate Partners x Partnership Fee per Partner
- **Corporate Wellness Revenue** =  $10 \times ₹20,000 = ₹2,00,000$  (₹2 lakhs)

### Total Revenue:

- **Total Revenue** = Subscription Revenue + Commission Earnings from Therapy Sessions + Affiliate Commission Revenue + Corporate Wellness Revenue
- **Total Revenue** =  $₹9,60,000 + ₹4,80,000 + ₹50,000 + ₹2,00,000 = ₹17,90,000$  (₹17.9 lakhs)

### Operating Expenses:

- **Marketing Costs:** ₹50,000 per month x 12 = ₹6,00,000 (₹6 lakhs)
- **Salaries:** ₹400,000
- **Rent:** ₹30,000
- **Utilities:** ₹10,000
- **Other Overheads:** ₹20,000
- **Total Operating Expenses** = Marketing Costs + Salaries + Rent + Utilities + Other Overheads
- **Total Operating Expenses** = ₹6,00,000 + ₹4,00,000 + ₹30,000 + ₹10,000 + ₹20,000 = ₹10,60,000 (₹10.6 lakhs)

#### Net Profit:

- **Net Profit** = Total Revenue - Total Operating Expenses
- **Net Profit** = ₹17,90,000 - ₹10,60,000 = **₹7,30,000 (₹7.3 lakhs)**

#### Financial Report Summary:

Category	Year 1
<b>Revenue</b>	
- Subscription Revenue	₹9,60,000
- Therapy Session Commission	₹4,80,000
- Affiliate Partnerships	₹50,000
- Corporate Wellness Revenue	₹2,00,000
<b>Total Revenue</b>	<b>₹17,90,000</b>
<b>Costs</b>	
- Marketing Costs	₹6,00,000
- Salaries	₹4,00,000
- Rent	₹30,000
- Utilities	₹10,000

Category	Year 1
- Other Overheads	₹20,000
<b>Total Costs</b>	<b>₹10,60,000</b>
<b>Net Profit</b>	<b>₹7,30,000</b>

#### Break-Even Analysis:

- **Break-Even Point:** Total Operating Expenses / Average Revenue per User
- To break even, the app needs enough users and corporate partners to generate a minimum of ₹10,60,000 in total revenue.