

Final, 106T, Lec 2: Dropbox (HBS 9-811-065)

3:00-6:00, Thu 13th December 2012

Instructions:

- You are allowed to bring in 10 single-sided pages of notes, and calculators.
- You can write on both sides of the paper, as needed.
- When answering, suppose you are an economic consultant hired by foursquare to advise them on their business. They are not economists, so make sure to explain all terminology.
- I advise you to first scan the questions, read the case thoroughly (with notes), and then answer the questions.

Shorter Questions [5 points each = 35 points]

Question A: In the case, Dropbox used a “freemium model”, giving 2GB free and charging \$10/month for 50GB. Why do they use this strategy?

Question B: Suppose Dropbox runs the following A/B test. They give group A free storage of 2GB and see 2% sign up for the paid version; they give group B free storage of 1GB and see 3% sign up for the paid version. What do you think of such an experiment?

Question C: What is “Moore’s Chasm”. How is it relevant for Dropbox?

Question D: Given the data in the case, is Dropbox profitable as of June 2010?

Question E: Users of Dropbox were constantly requesting new features. Why not deliver them?

Question F: What are the advantages for Dropbox of having the product pre-installed on PCs?

Question G: What is a disruptive innovation? How does Google think the PC market will be disrupted?

Longer Questions [65 points]

Question 1 [25 points]: What are Dropbox's competitive advantages? How successful is the company so far? Is this sustainable?

Question 2 [20 points]: What mobilization strategies did they use? Which worked? Which did not?

Question 3 [20 points]: Dropbox is considering segmenting the market into a “home” version and a “professional” version. What is the economic logic behind such a strategy? If you were the marketing manager, how would you package and price the products?

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