



## CASES for DTU course "Knowledgebased Entrepreneurship"

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## EndoMondo: designing a profitable business model

November 2012

### Background:

In December 2007, three colleagues at McKinsey, Copenhagen, decided to live out their dream of being entrepreneurs. They left their jobs as management consultants to pursue an idea of changing the way you do sports whether you are at elite level or merely someone who wishes to keep in shape.

The vision of their start-up was to create a mobile service that makes sports more exciting, to make the service available to a large group of physically active people and thus create a community of EndoMondo users.

Question is: how can you make money out of this?

There are many different kinds of motivation for doing sports. Tracking the training and monitoring the progress motivates some of us whereas others need a friend to play with or compete against or even a coach. The founders wanted to meet all of these needs to reach both recreational as well as more ambitious athletes.

In September 2008, the alpha version of endomondo.com was officially launched in connection with the world's largest running race, the DHL race in Copenhagen with 100.000+ participants. Based on feedback from the first users, the beta version of endomondo.com was launched in July 2009. In the years to come, the founders worked hard on improving the services and at the time of recording this case (October 2012), the company development is still in full swing with the numbers of EndoMondo users to be counted in the 10+ millions.

From the beginning the EndoMondo founders were convinced that first priority was to focus on attracting users to the site, and once users were signed in, to create value for them in order to make them stay. The strategy was to attract the users by offering a real attractive site free of cost, and then make money out of it. The question of how still pended at start-up time.

Starting up and attracting the first users was possible via the founders' own means. But, they also knew from very early on, that to go all the way to a really popular site with a very high hit rate, they needed professional venture capital investors that would appreciate the company's ability to expand the user base.

EndoMondo has been successful in growing the user base through "critical mass" and consequently, quickly after launch, the founders started screening for potential investors. The investors were impressed by the user base – but also wanted to know how and when the company would generate revenue.

**The problem:**

EndoMondo analyzed several business models that would create a revenue stream. A particular challenge was to keep the focus on the target groups (the users) as well as balancing initiatives against resources and competences currently available in the company.

However, the greatest challenge was to figure out how to design payable products to a user group that expected free premium services.

**Your task:**

Suggest and explain at least three different business models that would create a revenue stream given that you have a significant and rapidly expanding user group of sporting people with frequent visits to your site and daily use of your free app/mobile phone tracking and recording services