

# Premium+ strategy

Descriptive Statistics - Bootstrapping performed on average number of clicks per day for Premium+						
		Statistic	Bootstrap <sup>a</sup>			
			Bias	Std. Error	99% Confidence Interval	
					Lower	Upper
avg_earn_250	N	41	0	0	41	41
	Mean	2,5276	-,0003	,0509	2,4052	2,6647
	Std. Deviation	,33060	-,00725	,04636	,21284	,43835
avg_earn_500	N	41	0	0	41	41
	Mean	5,0551	-,0005	,1019	4,8103	5,3294
	Std. Deviation	,66121	-,01450	,09272	,42569	,87670
avg_earn_750	N	41	0	0	41	41
	Mean	7,5827	-,0008	,1528	7,2155	7,9941
	Std. Deviation	,99181	-,02176	,13908	,63853	1,31505
avg_earn_1000	N	41	0	0	41	41
	Mean	10,1102	-,0010	,2038	9,6207	10,6588
	Std. Deviation	1,32241	-,02901	,18544	,85138	1,75340
avg_earn_1250	N	41	0	0	41	41
	Mean	12,6378	-,0013	,2547	12,0259	13,3235
	Std. Deviation	1,65302	-,03626	,23180	1,06422	2,19175
avg_earn_1500	N	41	0	0	41	41
	Mean	15,1654	-,0016	,3056	14,4310	15,9882
	Std. Deviation	1,98362	-,04351	,27816	1,27707	2,63010
avg_earn_1750	N	41	0	0	41	41
	Mean	17,6929	-,0018	,3566	16,8362	18,6529
	Std. Deviation	2,31423	-,05076	,32452	1,48991	3,06845
avg_earn_2000	N	41	0	0	41	41
	Mean	20,2205	-,0021	,4075	19,2414	21,3176
	Std. Deviation	2,64483	-,05801	,37087	1,70275	3,50680
avg_earn_2250	N	41	0	0	41	41
	Mean	22,7480	-,0023	,4585	21,6466	23,9823
	Std. Deviation	2,97543	-,06527	,41723	1,91560	3,94515
avg_earn_2500	N	41	0	0	41	41
	Mean	25,2756	-,0026	,5094	24,0517	26,6471
	Std. Deviation	3,30604	-,07252	,46359	2,12844	4,38350
avg_earn_2750	N	41	0	0	41	41
	Mean	27,8032	-,0029	,5603	26,4569	29,3118
	Std. Deviation	3,63664	-,07977	,50995	2,34129	4,82185
avg_earn_3000	N	41	0	0	41	41
	Mean	30,3307	-,0031	,6113	28,8621	31,9765
	Std. Deviation	3,96724	-,08702	,55631	2,55413	5,26020
Valid N (listwise)	N	41	0	0	41	41

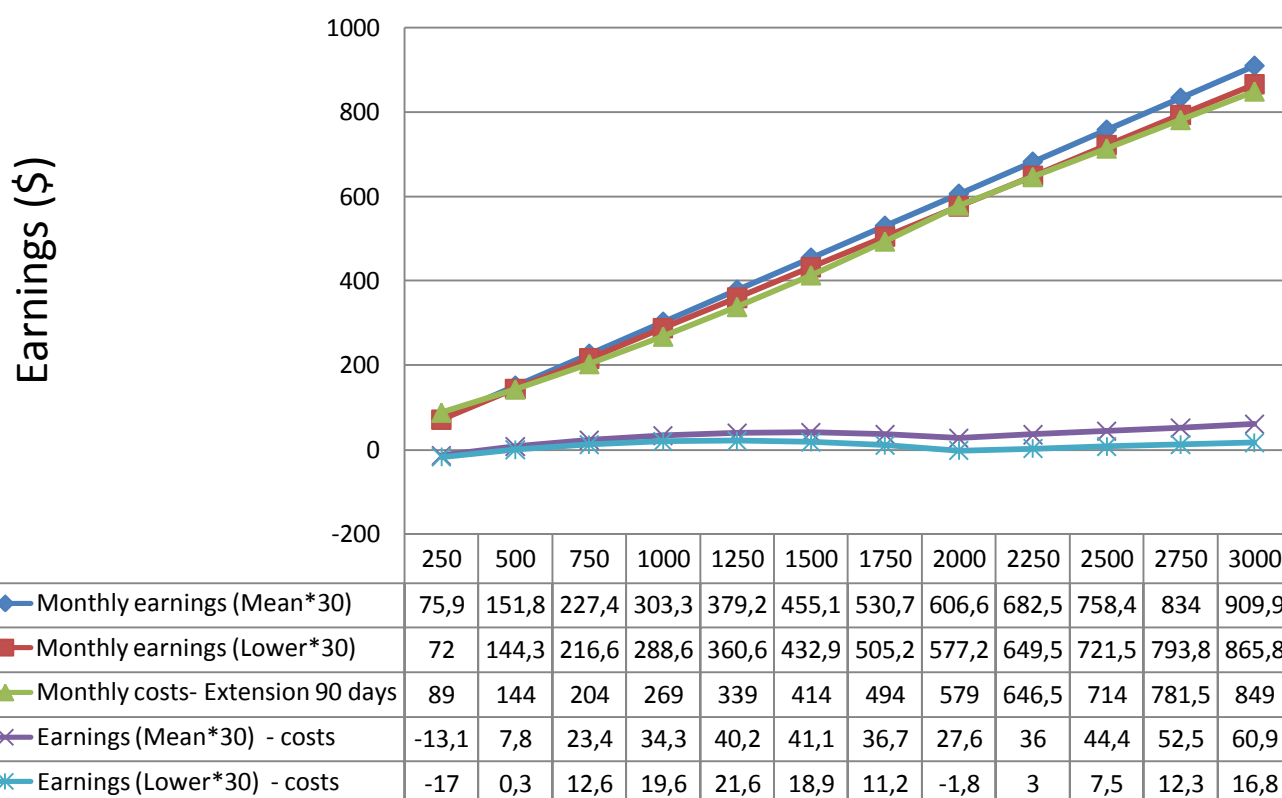
a. Unless otherwise noted, bootstrap results are based on 10000 bootstrap samples

In the table we can see the expected amount of earnings by x referrals (x=250, 500,..., 3000). Confidence interval tells us how much we will earn daily. Since it is a 99% chance, there is only 0,5% chance that the earnings will be lower than the lower limit (marked as „Lower“) and only 0,5% chance that it will be higher than the upper limit (marked as „Upper“). However, this calculation won't be as simple as for the Premium strategy, because the price of rented referral renewal rises as the number of your referral grows. In addition, the Premium+ membership lasts a month (or a year - we will discuss it later), so the expenses are higher. The table below shows how the prices of renewal change.

Amount of referrals	Monthly price	AutoPay price
0 - 250	\$0.2	\$0.0057
251 - 500	\$0.21	\$0.0060
501 - 750	\$0.22	\$0.0062
751 - 1000	\$0.23	\$0.0065
1001 - 1250	\$0.24	\$0.0068
1251 - 1500	\$0.25	\$0.0071
1501 - 1750	\$0.26	\$0.0074
more than 1750	\$0.27	\$0.0077

How exactly does this affect the equation? Let's take 3000 referrals as an example and use the amount of \$29 (a little more than the lower limit, not to be pessimistic, but to be careful). In 30 days, you would earn  $30 \times 29 = \$870$ . On the cost side, you have to pay your membership and the cost of the renewal. Monthly version of Premium+ costs \$39, and renewal of referrals costs  $30 \times 0,27 \times 3000 = \$810$ . So, in a month, your 3000 rented referrals should earn you about  $870 - 39 - 810 = \$21$ . Yes, you see it right, only \$21. Let's have a look at the graph that shows how earnings&costs change as the number of referrals grows.

## Distribution of earnings in case of a specific number of rented referrals



That does seem very low, doesn't it? There are even some losses. One would expect more from such a strategy.

Well, there is more. From now on, things get complicated, but that's not a good enough reason to give up. Let's see how we could help our Premium+ strategy to work better. The possible solutions (aka sub-strategies) are:

- Yearly membership
- Referral management system

### How can yearly membership help?

Let's now calculate everything on yearly basis (data of 3000 rented referrals will be used). In a year, you should earn  $12 \times 909,9 = \$10918,8$ , and your expenses would be  $12 \times 849 = \$10188$ , which leaves you with  $\$730,8$  profit. However, it is less expensive to buy a yearly membership than monthly. If you bought yearly membership, your earnings would stay at the same level, but your costs would be reduced,  $10188 - 12 \times 39 + 399 = \$10119$ . So, with a yearly membership instead of monthly, you would earn  $10918,8 - 10119 = \$799,8$ , which is  $\$69$  more.

## How can referral management system help?

If you use a referral management system which is a little different than usual mechanical renewing of referrals, you could reduce the costs even more. How can you do it?

- AutoPay

If you look again at the renewing prices table up there, you will see an option called AutoPay. It extends your active referrals with a 15% discount. Therefore it reduces your expenses. However, AutoPay has a darker side as well. If you are trying to quickly gain rented referrals, AutoPay is your worst enemy because it will constantly suck out your money. Also, AutoPay is an option that extends only those referrals that click. Those who don't click won't be extended and will eventually run out of „days left“. Although it seems like it solves all of your problems, you should always keep an eye on AutoPay. It works better when you are trying to keep your account at a certain level than when you are trying to get more referrals.

- Referral extending

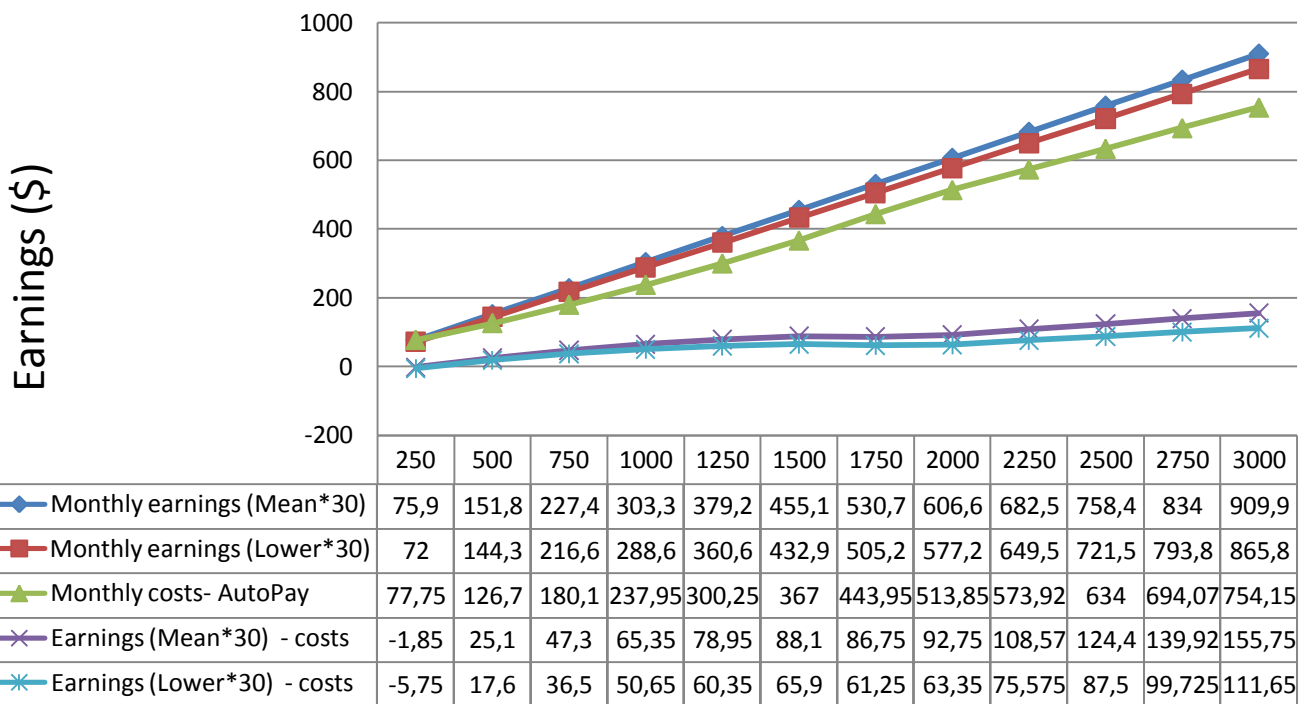
Is it reasonable to save only 15% with AutoPay when you can save 30% by extending your referrals for 90 days? It depends on your point of view. For instance, if you have 251-500 rented referrals, to manually upgrade your referral you will pay \$0,21 per month, which makes \$0,63 per 3 months. AutoPay for 3 months would cost you  $0,006 \cdot 90 = \$0,54$ . If you decided to upgrade your referrals manually for period of 9 months, you would pay \$0,504. Can you notice how the cost has dropped? This is, like AutoPay, a long-time plan, so if you still don't have as much referrals as you want, it will slow down your growth. So it's up to you to decide - grow fast & pay more or grow slow & pay less.

- „Referral genocide“

This one is rather simple - don't ever renew referrals, just buy new ones when old ones expire. However, this method does have a limitation - in order to have a maximum number of 3000 rented referrals, you will have to buy 300 referrals every 3 days. However, it isn't the cheapest method for everyone. For a member with more than 1751 rented referrals it does pay off - it's cheaper to pay \$60 to buy 300 new referrals than to pay  $300 \cdot 0,27 \cdot 0,8 = \$64,8$  to keep 300 old ones, so it is advisable to combine it with extending - keep the good ones, let the bad ones expire and buy new ones to replace them. As simple as that. But, if you have 1001-1250 referrals, it's cheaper to extend them for  $300 \cdot 0,24 \cdot 0,8 = \$57,6$  than to pay \$60 for new ones. Keep that in mind when deciding on your strategy.

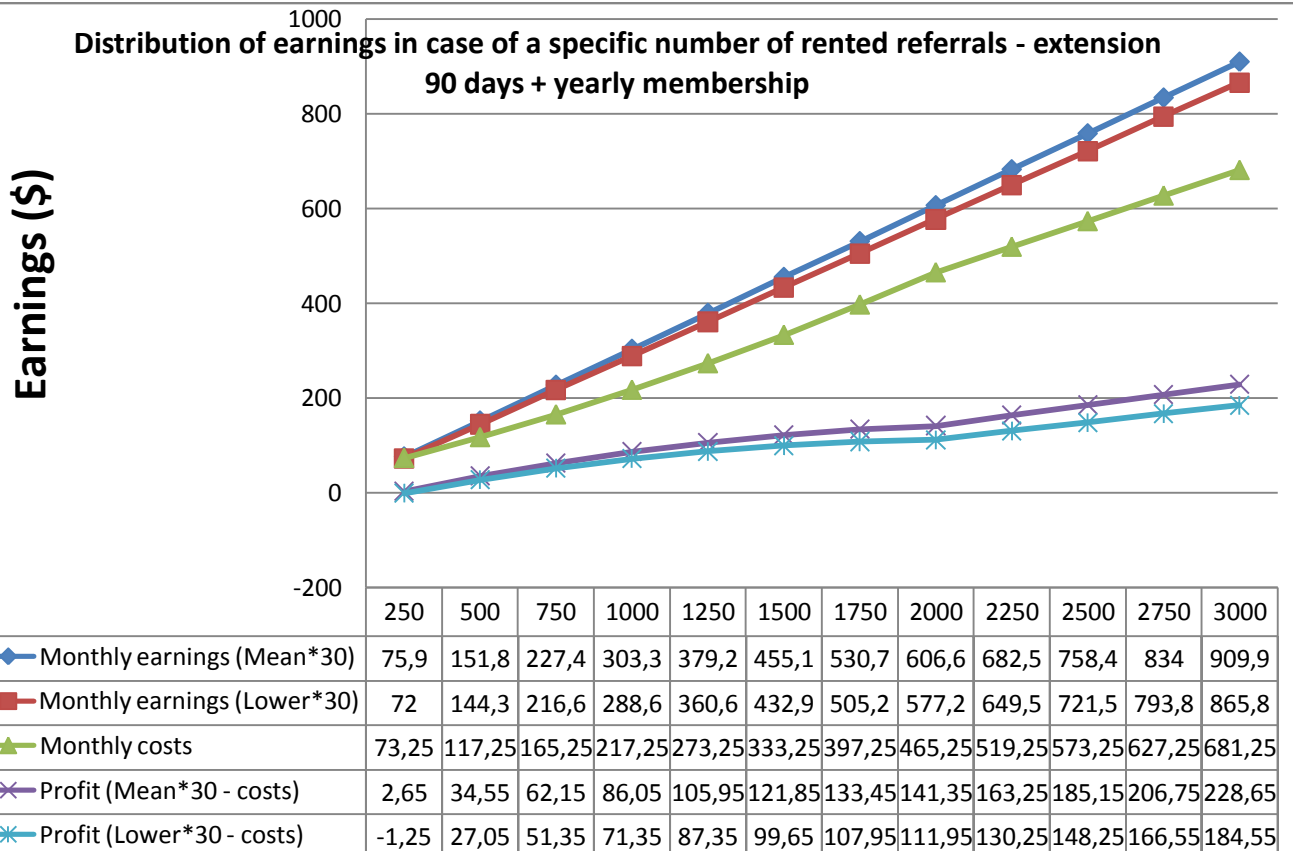
Let's see the „new“ graphs & tables, shall we?

## Distribution of earnings in case of a specific number of rented referrals - AutoPay on



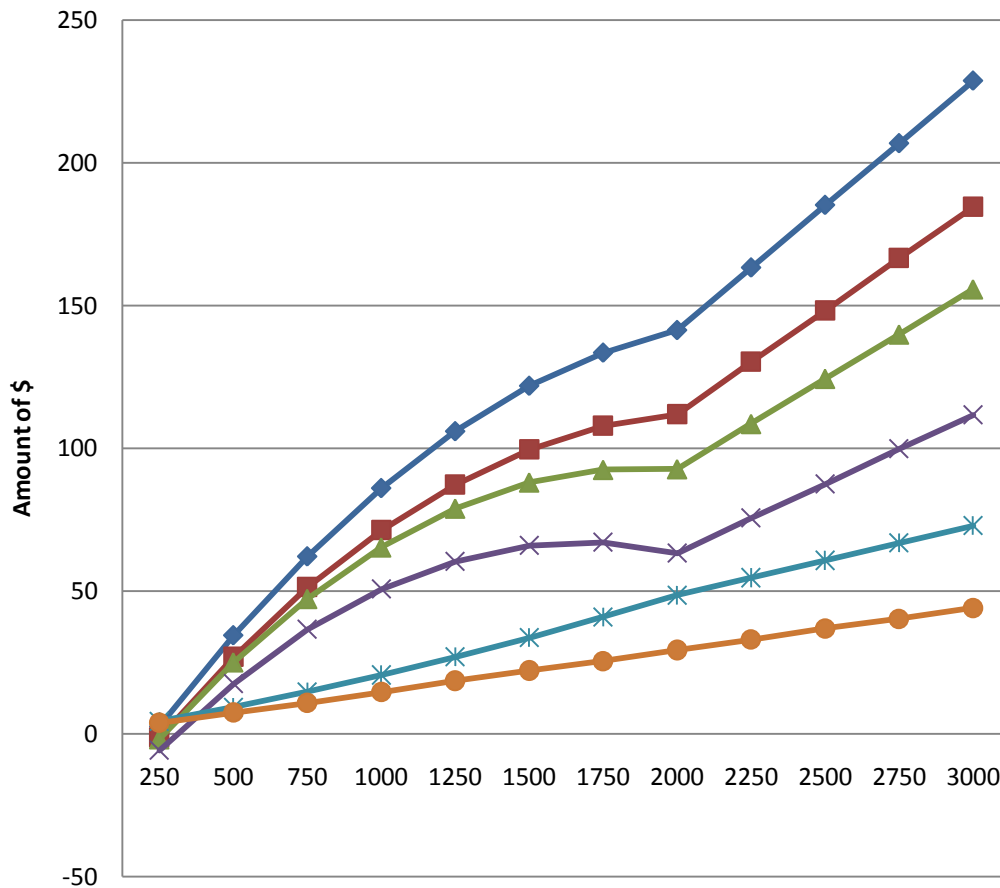
\*11% discount was put into the equation (instead of 15%) because it rarely happens that all of the referrals click

## Distribution of earnings in case of a specific number of rented referrals - extension 90 days + yearly membership



And let's see the comparison of earnings:

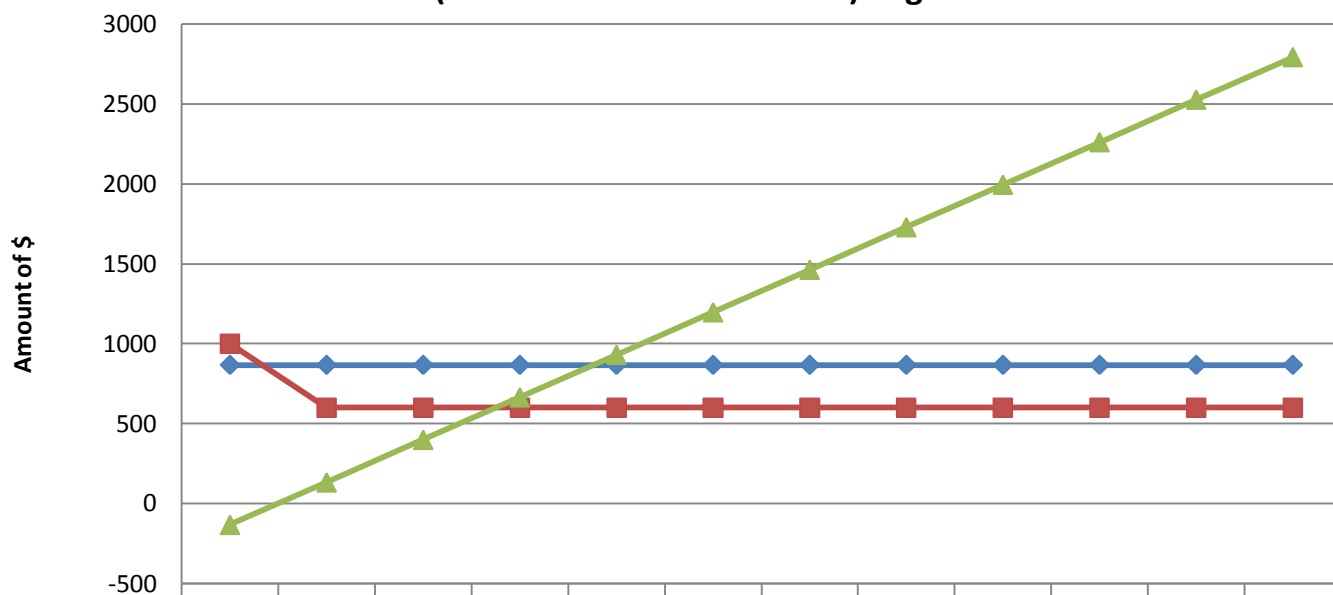
## Effects of different sub-strategies on monthly profit



Quite a dramatic difference, isn't it? Notice that 1000 referrals extended for 90 days should earn you more than 3000 rented referrals you extend for 30 days. However, one thing should not be forgotten - the graphs of costs look different. So, once you extend your referral for 90 days, you don't have to extend it during the next three months, while regular 30-day extending has to be done every month.

**What would be the optimal strategy?** It depends on how many referrals you have. As long as you have less than 1251 referral, you should earn the most by extending your referrals for 90 days as soon as you buy them. Also, buying yearly membership will save some money. Although it can look expensive, it really does pay off. However, if you have more than 1250 referrals, extending becomes equally effective as the „genocide“ strategy and for more than 1500 referrals „genocide“ becomes more effective.. Below you can see the graph that shows what would be the ideal way to start earning on Ojooo. It („Lower“) would yield a ROI of 129% (or \$848,8), while „Mean“ would yield ROI of 136% (or \$1039,9). Below you can see a graph of a total-genocide strategy, which currently yields the most.

### Distribution of earnings ("Lower") and costs in period of 12 months after start (with 3000 rented referrals) - "genocide"



◆ Earnings	865,8	865,8	865,8	865,8	865,8	865,8	865,8	865,8	865,8	865,8	865,8	865,8
■ Costs	999	600	600	600	600	600	600	600	600	600	600	600
▲ Profit	-133,2	132,6	398,4	664,2	930	1195,8	1461,6	1727,4	1993,2	2259	2524,8	2790,6