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## **КВАЛІФІКАЦІЙНА РОБОТА**

**на тему: Створення бізнес-стратегії для зрілої компанії-розробника мобільних застосунків**

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## INTRODUCTION

Due to statistics the average lifespan of companies on the Standard & Poor's 500 has fallen from 67 years in the 1920s to just 15 years today [1]. That means companies established 15 years ago are very likely to leave the market in the near future. It has never been cheaper to start a company than today. It has never been harder to maintain a company for a long time than today. It's hard to believe that in 2000 you needed at least \$5,000,000 in average capital in comparison to \$1000..\$5000 in today's reality [2].

There is a great article on Harvard Business Review "Finding your company second act". It is said there that companies that unlocked successful business models often witness its fast revenue decline. For example, the Pokemon Go game just 10 weeks after the release already lost 15 million players.

This declined lifecycle caused by widespread technology innovation and rising new effective startups that disrupt the market and already established companies.

There are lots of samples: Fitbit, GoPro, Zenefits, and TiVo scaled up incredibly quickly and then cooled off almost as fast. Moreover in 10 years 50% of the today Fortune 500 companies will no longer exist [1].

In this paper I would like to review one of such cases when an already established mature company that has achieved its market success appeared in a crisis. I would like to use system business tools that are applicable and relevant to the situation to overcome all the difficulties and describe the ways to cure the company.

By leveraging both theoretical frameworks and real-world applications, this analysis seeks to provide a comprehensive roadmap for rejuvenating a company's financial health and securing its competitive edge in the market.

## **SECTION 1: ADVA SOFT COMPANY**

### **1.1. ADVA Soft's company history**

ADVA Soft is a mobile app development company that was founded by 3 dreamers in 2007 with a strong desire to make interesting solutions in the field of mobile phones.

The mission of the company is to bring simple solutions for people to solve ADVANCED tasks backed by challenging tech. Being passionate about solving challenging tasks helped to provide the strong technical background of every founder.

Values of the established company were chosen for the great team and safety of native country.

Currently ADVA Soft is a product software company with 25 bright minds on board.

### **1.2. App making market in 2007..2010**

ADVA Soft was always about smart mobile devices and solutions to make the life simpler, better and brighter with them.

In 2007 it was a very difficult market to earn because of very big platform fragmentation and the need to test and develop the app for many smartphone makers with sometimes very different approaches.

The first project of the ADVA Soft was a Bluetooth device to send to all nearest phones marketing and informational content in 2007. Djuce (Ukrainian Virtual Cell operator) branded tram stop sent interesting messages to people through Bluetooth in the era when GPRS Internet was too expensive and slow. People could receive a mobile app where they can get the latest news, weather forecast and some ads. The team developed a complex solution with a server that sends the content and the app for mobile phones to get structured content inside the app.

Unfortunately it was a B2B project and there was no success in further project scaling.

### **1.3. Apple App Store**

Apple App store started its work on July 10, 2008. It is a mobile apps marketplace from Apple company for iPhones and iPads. The store allows users to browse and download thoroughly curated apps developed within Apple's iOS SDK.

From the very start Apple motivated thousands of developers throughout the world to create interesting apps for iPhone by just joining the Apple Development Agreement which cost \$100 per year. Developers get the possibility to sell its application for a global audience in return of 30% commission to Apple for maintaining the App Store and providing all the needed tools for development.

It was definitely a big market with a place for ADVA Soft company considering its experience in development of mobile apps.

Currently the Apple App Store market size is more than 60 billion US dollars. Its a huge opportunity for every small team with one of the smallest investments to enter. There are also a few unicorn companies who develop photo editing category: Lightricks [3], PicsArt [4], Bending Spoon Apps [5]. Also great to mention rising star PhotoRoom to be valued 500 million US dollars [6].

Consequently for a passionate qualified team it is a great market to enter with the right product.

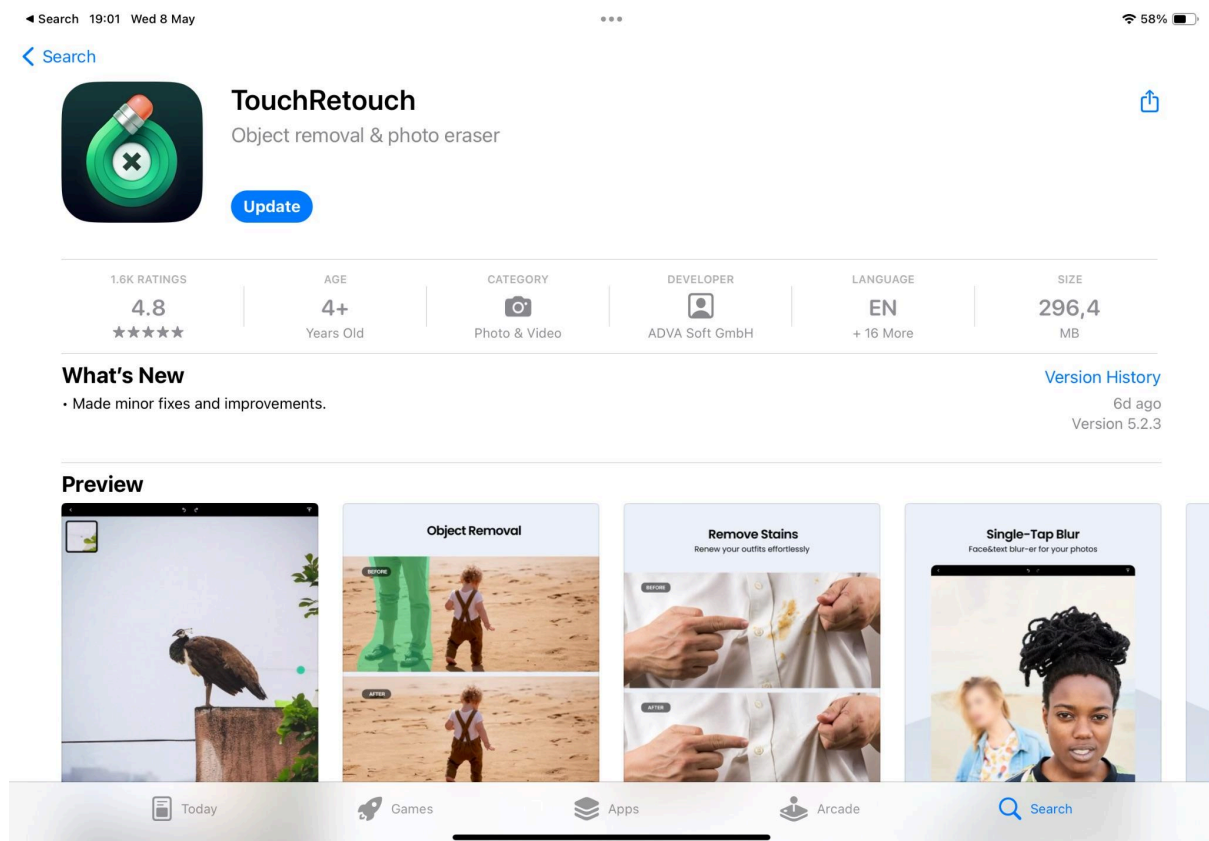
### **1.4. ADVA Soft projects at the Apple App store**

In 2009 ADVA Soft in cooperation with Italian software company Bitween released its first mobile application for the App Store. It was a poker game designed in Manga style. It had its own AI to play in a human-like manner and many players thought that there were real opponents playing with them. The application had some success for a half of the year but went down afterwards.

#### ***1.4.1. TouchRetouch***

In 2009 one of the ADVA Soft founders, came up with the idea to implement a photo editing application for removing unwanted objects from photos. There were no similar solutions on mobile at that time as it was quite demanding for processor power. The team made the first version of the app which was shown on the youtube demo video

and caught the hype. The hype unlocked the potential of the app. So the algorithm was vastly improved in a month to match with the processing power available on iPhone 3GS and the app released in June 8th, 2010. It was called TouchRetouch. The app reached the top 1 place in 16 countries and brought the first big success for the young company. Moreover the team applied for the Samsung Bada Developer Challenge and took the first prize in its category with a \$100,000 cash award in global contest plus \$10,000 award on local Ukrainian challenge.



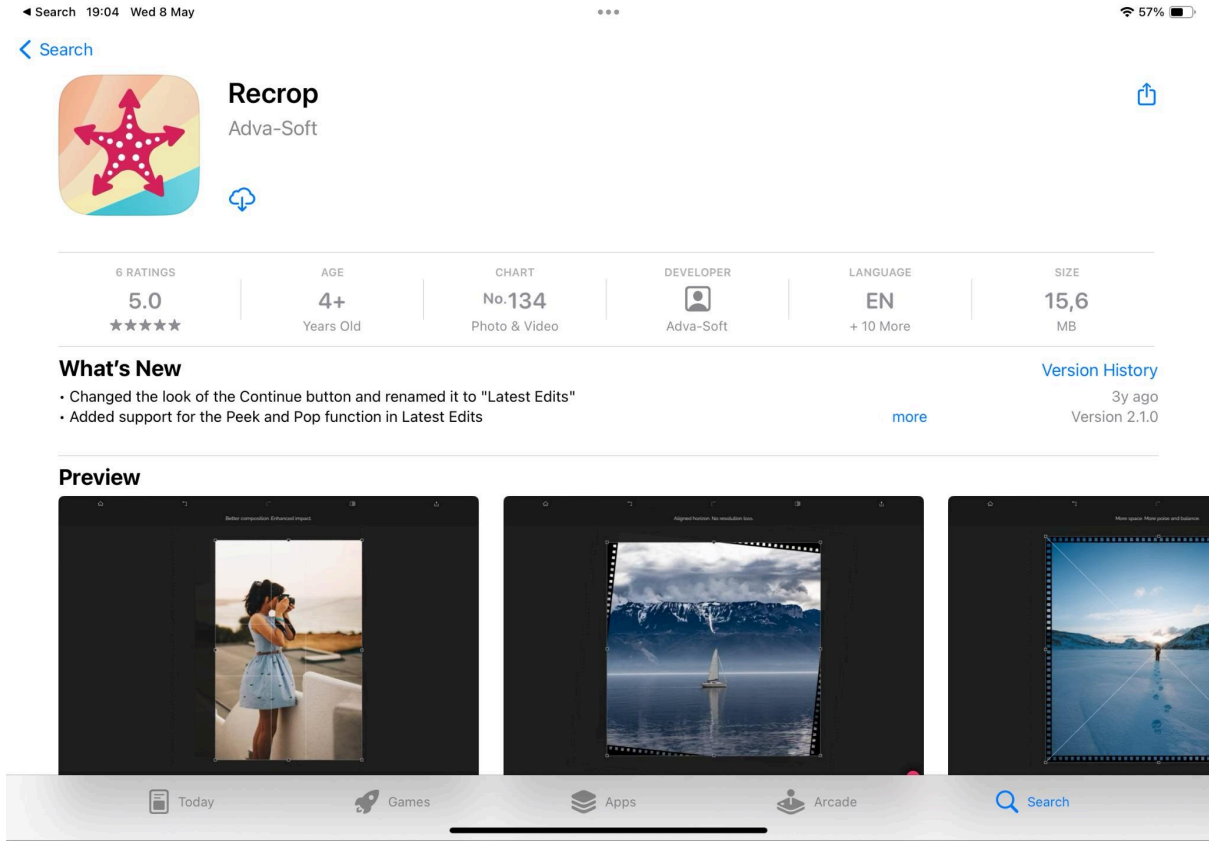
Pic 1.1 TouchRetouch app at the App Store. Source: App Store

In 2011 TouchRetouch app was released on Android platform and immediately got top places in photo editing category. Despite much lower monetizing possibilities on Android at that time it was still a profitable step for the company.

#### **1.4.2. AntiCrop/Recrop**

2012 ADVA Soft released AntiCrop app — the first app to offer photo uncropping. The app was featured by Apple a few times and got top places at the Apple App Store ranking. Despite the first month's success and many features from Apple the app could

not maintain top places in the photo editing category as it wasn't such a popular job to be done among the users who edit their photo. Unfortunately ADVA Soft didn't manage to make this app profitable even after a few attempts of rebranding into Recrop and redesign.



Pic 1.2. Recrop app at the App Store. Source: App Store



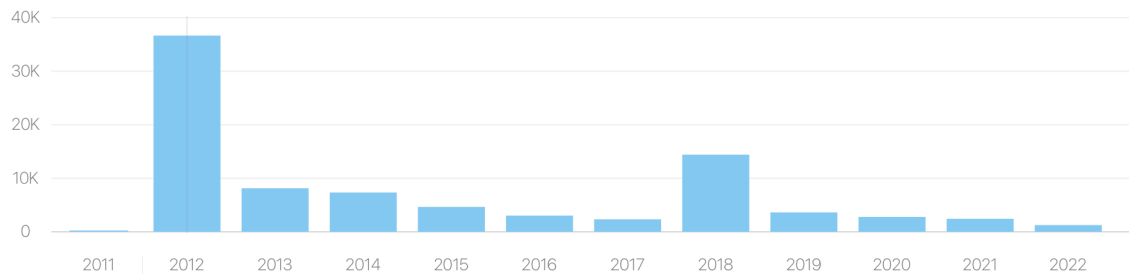
\$86.6K Proceeds

&lt; Jan 1, 2011 - Dec 31, 2022 &gt;

UTC ▾

Content | Territory | Device | Category | Content Type | Transaction Type | CMB | Version | Client

Proceeds per Year

Bar ▾ Years ▾ 

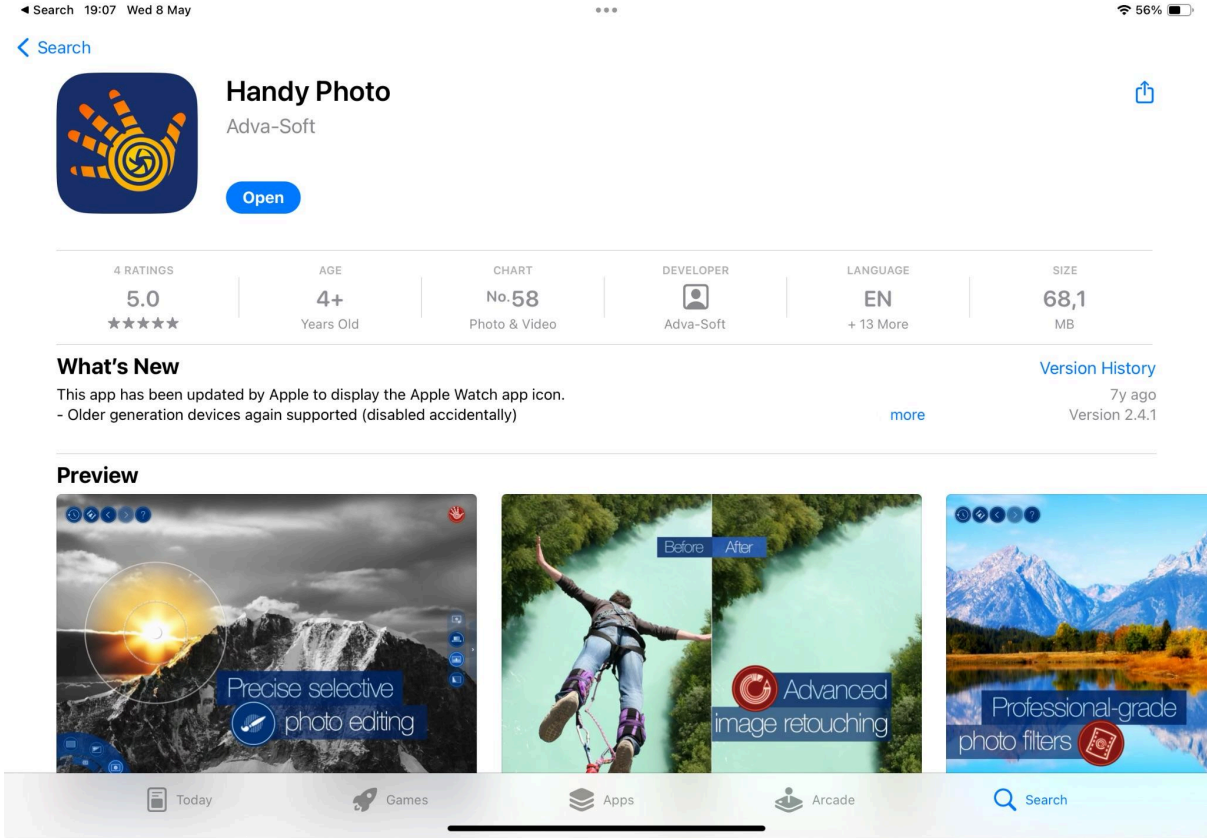
Name	Type	Platforms	Apple ID	Proceeds (USD)	Previous Range
1 ● Recrop Adva-Soft	App	iOS	492663935	\$86.6K	0 N/A

Sch 1.1. Recrop app historical sales. Source App Store Console

### ***1.4.3. Handy Photo***

In 2013 ADVA Soft released the next app called Handy Photo — all-in-one photo editor aimed at iOS and Android users. The app allows performing all possible edits to photos with ease and fun. Again lots of features from Apple, praised reviews in media but no sustainable success and not enough profit to cover all the expenditures.

The following year the company started its first hard cycle of finding a sustainable source of profit. Starting from 2015 TouchRetouch app had a strong growth with its culmination in 2020 when the app became number 1 paid app at the App Store.



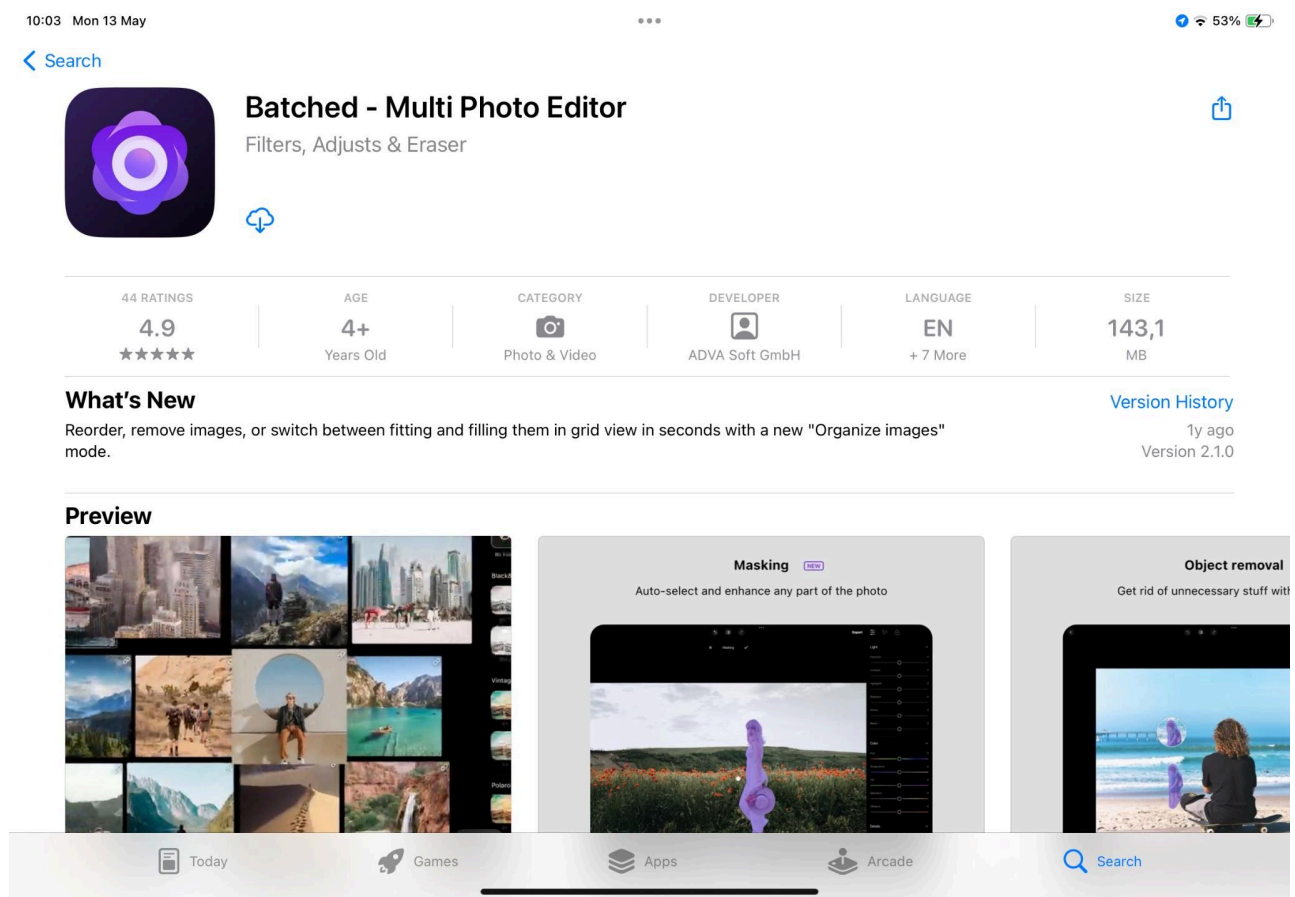
Pic 1.3 Handy Photo app at the App Store. Source: App Store



Sch 1.2. Handy Photo app historical sales. Source: App Store Console

### 1.4.4. Batched

In 2022 ADVA Soft released Batched app — all in one multi-photo editing app with subscription monetization model. Batched app most advanced feature was the possibility to edit up to 30 pictures at once. The app was aimed to solve the problem when you need many pictures to edit in one style and save lots of time on this editing process.



Pic 1.4. Batched app at the App Store. Source: App Store



### Sch 1.3. Batched app historical sales. Source: App Store Connect

Batched app was our first try to use the subscription monetization model. After great success of the TouchRetouch app it seemed that it is enough to use a much more profitable monetization model for comparatively easy return of investments. We gathered a very ambitious and creative team, hired at first time at ADVA Soft in house marketer. All this efforts have brought some returns but still we couldn't achieve a break-even point.

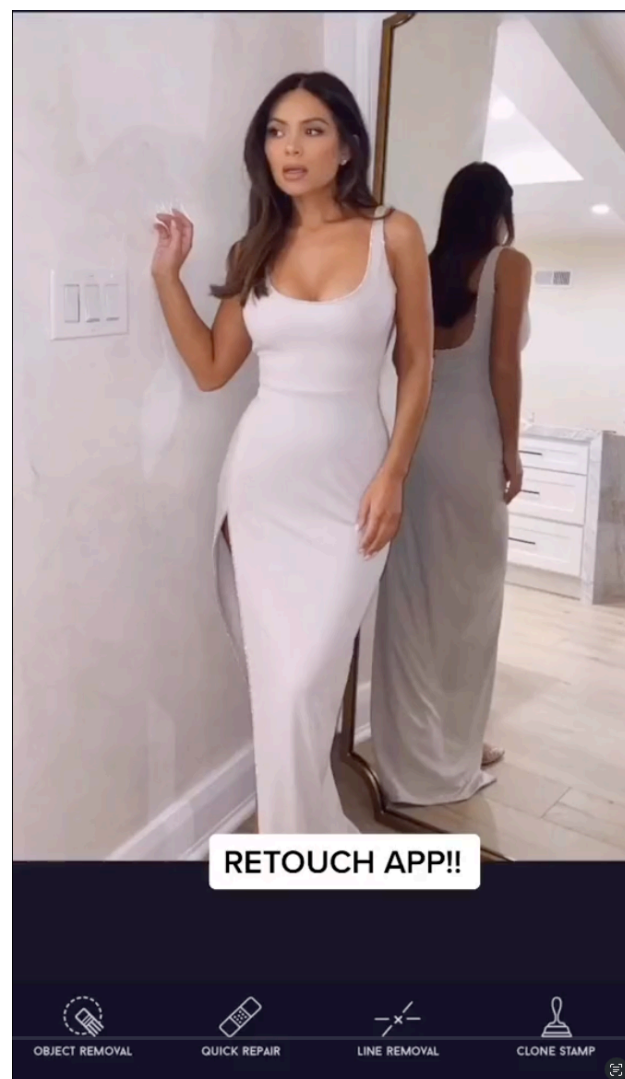
#### **1.4.5. Removie**

In 2021 ADVA Soft team after lots of requests from TouchRetouch users to make the same for video content started to develop such technology. It was a kind of R&D process without strict budgets to check whether we are able to solve this task. The wrestling algorithm took too long to process and didn't resolve issues users had. We had to close this project despite big hopes to achieve similar success to TouchRetouch. Still the project can be reopened in case more resources appear.

### **1.5. Highest point of success**

ADVA Soft company reached its highest point of success in 2020. It was a result of continuous improvement and updates of the app and growth from year to year. But there was one event that changed all the numbers vastly.

In 2020 TikTok was something very new on its way to spread the world. A beauty blogger Marianna Hewitt started different experiments as many other bloggers of how it is possible to use new social media. She created a tutorial on how to use TouchRetouch. Most of the videos of Marianna Hewitt at that time earned 10K..20K of views but after placing an Instagram hack with recommendation of how to easily prepare your photos for production and remove unwanted objects she got much more views on it. One of the interesting features of TikTok is the possibility to use any sound from already posted videos for the new one without compromising any copyright. Other bloggers created 9514 videos with Marianna's recommendation using their own cases. It gave even more, much more views from social media users. One of the frames of those video is shown on the Pic 1.5.



Pic 1.5. Video tutorial from Marianna Hewitt [7].

The most popular videos with Marianna's voice and their benchmarks are shown on the Table 1.1.

Table 1.1. Bloggers and their videos results with viral voice. Source: TikTok [7].

#	Blogger	Views	Likes
1.	Marianna Hewitt	12M	3.4M
2.	Robert Carroll	19.4M	3.4M
3.	jagr.hartsock	16.5M	2.5M
4.	Ingrid	9.6M	1.7M
5.	Sarah Witworth	7.8M	1.6M
6.	Brooke	7.4M	1.3M
7.	Starovsvitska	6.8M	468K
8.	David Simpson	2.6M	387K
9.	Rezo	2.5M	384K
10.	user038474920	1.9M	375K
11.	Brandon	7.1M	810K
12.	logan_kasten	4.3M	311K
13.	nasserist	1.4M	279K

This created a massive unpredictable rise of interest to TouchRetouch app. The TouchRetouch tutorial got more than 100M views on TikTok. Thanks to the Apple platform all the infrastructure is always ready for very huge spikes. TouchRetouch got

billions of views and lots of downloads during the whole year and thanks to the App Store everything worked perfectly.

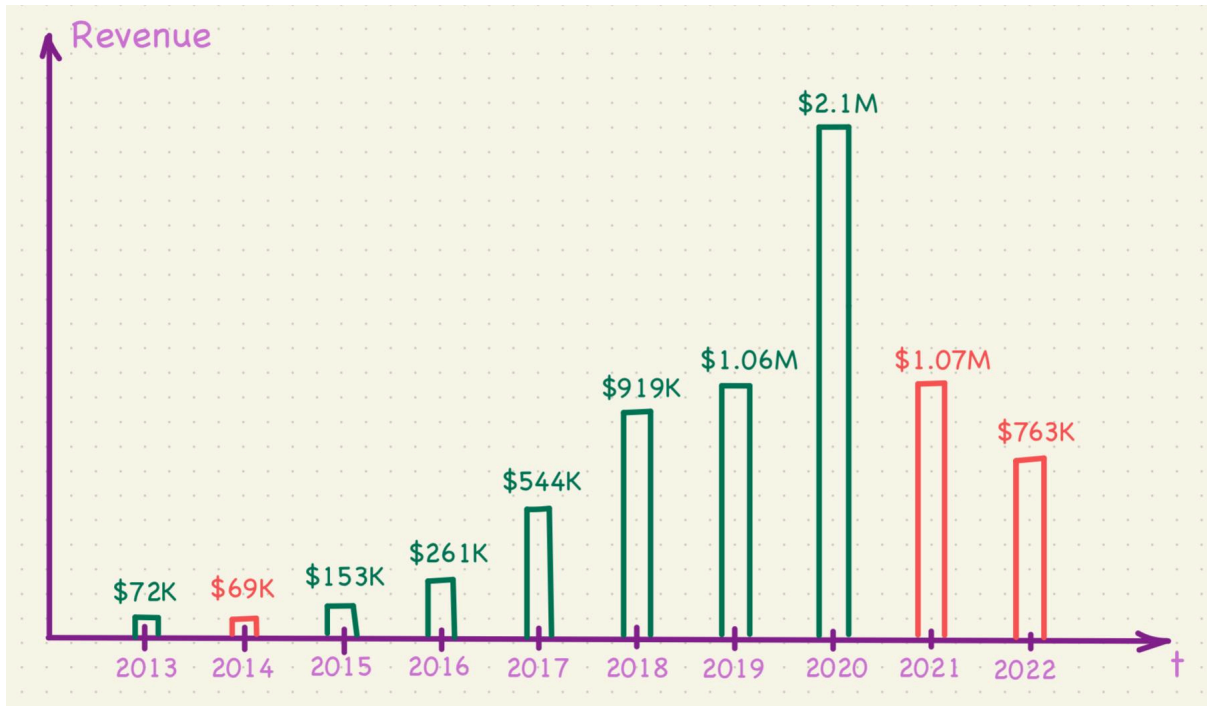
### 1.6. ADVA Soft historical dynamic projection

After the very first success of the main app ADVA Soft was trying to find its place and make its second successful step. In the Table 1.2 there are the phases ADVA Soft company had in the period of 2010 to 2022

Table 1.2. Historical events at ADVA Soft company

<b>Year</b>	<b>Major Events</b>
2010	Developing new app and its first success.
2010	Winning Bada Developer Challenge in Utility category
2011	Spreading the app on other rising platforms: Samsung Bada, Android
2012..2014	Trying to diversify revenue by developing new apps: AntiCrop, Handy Photo
2015..2019	Core product TouchRetouch app grow
2020	Highest point of success for TouchRetouch app
2021..2022	Releasing one more app: Batched, though declining revenue

On the Sch 1.3 ADVA Soft revenue by years is shown.



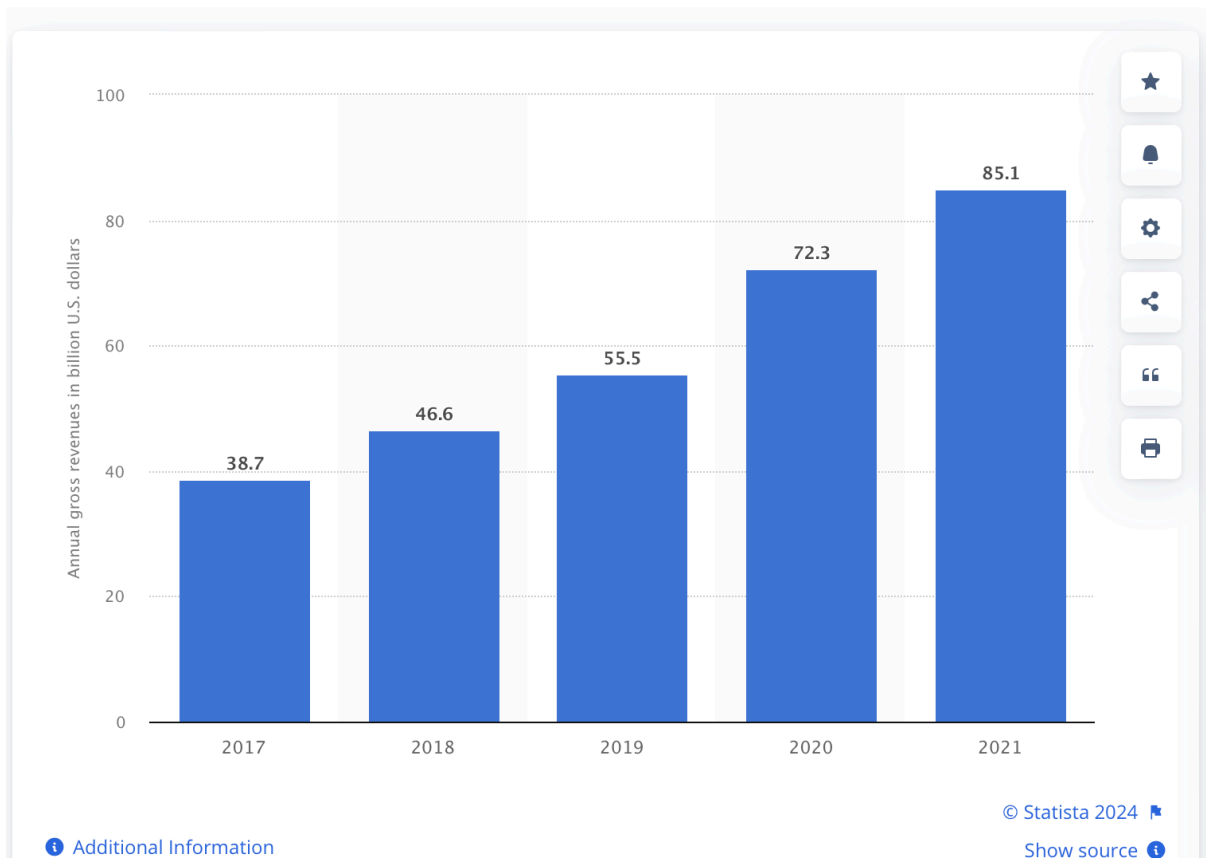
Sch 1.3. ADVA Soft Revenue year by year

### 1.7. Revenue declining reasons

It is important to understand the nature of revenue declining. The core company product became famous as never before. In every photo hobbyist community people know about TouchRetouch app. Product team continued their work on improving the app as before. Surely after the great spike there is always a decline, but the team didn't expect it will go lower than even the numbers of 2019 and 2018 years.

Market data shows no declining numbers in gross app revenue in 2021 which is shown on Sch 1.4.





Sch 1.4 Gross app revenue. Source: Statista [8].

Consequently there was no market recession.

The possible reasons of revenue falling can be:

1. Success trap — when everything goes great why to change something. Moreover there was some fear of changing something so as not to lose the wave of success.
2. Developers of other photo editing apps saw the success, built their own solutions and dilute market demand on object removal.
3. AI disruption allows just to use a one-time build model without hard developing an unique algorithm by highly skilled R&D developers.
4. Outdated monetization model — most of companies changed their monetization model. This surely helped to reach number 1 paid app, but this also added more unpredictability for product sales.

## 1.8. Company teams and products structure

Despite all the achievements the company had got, it was built on strong devotion from founders. Their passion covered all the possible problems in system company building. It helps to build fast connections, fast decisions and close relationships in the team. At the same time founders didn't delegate in time operational responsibilities to think more strategically, to build even more independent successful teams. More time is devoted to how to improve the product technically which is currently disrupted by the new AI approach in computer vision.

In autumn 2022 ADVA Soft company with the team of 22 people were trying to develop 3 directions:

1. The main TouchRetouch product and its improvement
2. Batched app — new app to use subscription monetizing model
3. Removie app — challenging video retouching app with a very hard technical feasibility.

Table 1.3. ADVA Soft product portfolio revenue in 2022. Source: App Store Connect.

№	Product	Monetizing model	Price	Revenue 2022	Trend	Accumulated revenue
1	TouchRetouch	Paid	\$3.99	\$701K	-31%	\$6.79M
2	AntiCrop	Paid	\$1.99	\$1.25K	-49%	\$87.5K
3	Handy Photo	Paid	\$3.99	\$2.49K	-28%	\$110K
4	Batched	Subscription	\$49.99	\$30.6	—	\$30.6

Table 1.3. Shows that TouchRetouch remains the main revenue generating product of the company but at the same time all company products have negative trend in comparison to the previous year.

Because of falling revenue ADVA Soft went lower than its expenses. Can't manage any more salary review and company benefits. This increased tension inside the company and was quite dangerous in a competitive IT environment of Ukraine even considering the war context.

## **1.9. Conclusion**

In autumn 2022 ADVA Soft company entered in its crisis with profits lower than the expenses. The following challenges appeared:

1. Drastical revenue falling with the threat of bankruptcy of the company.
2. The need to make changes in the team and the threat to lose key people.
3. Continuous failures in new product attempts.

## SECTION 2: OVERCOMING REVENUE CRISIS

### 2.1. Looking for risk response strategy

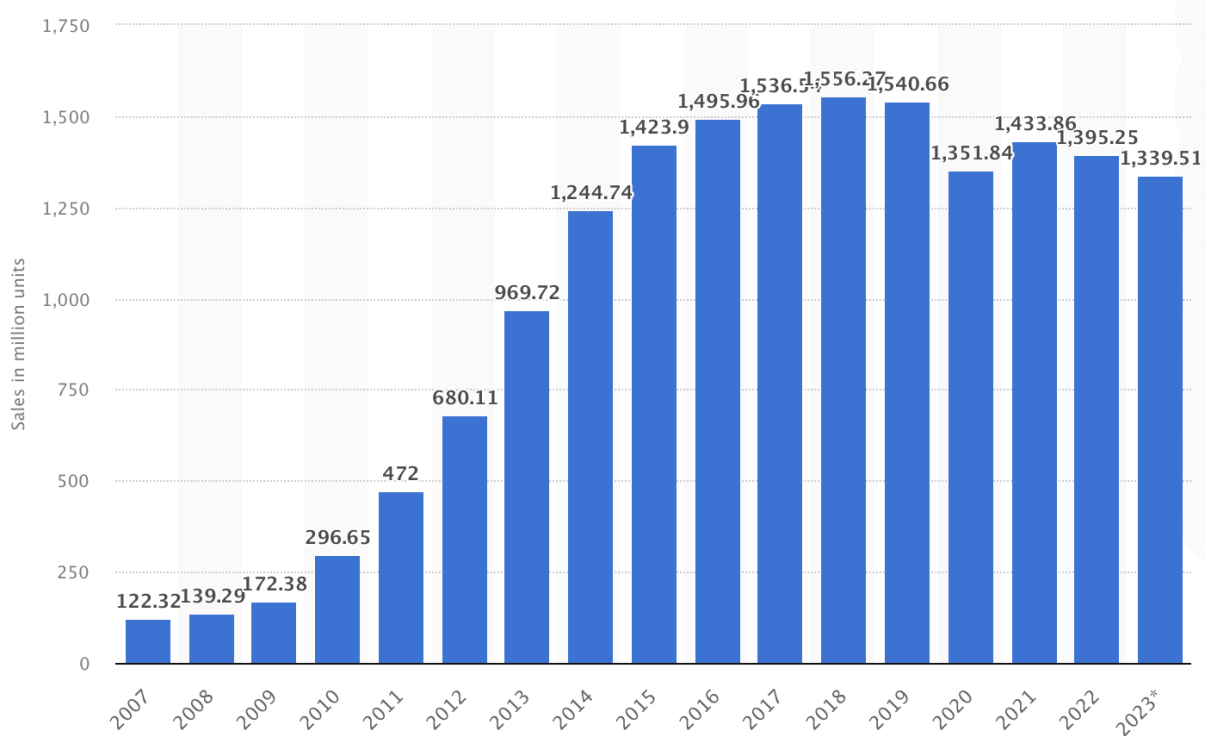
Sales at the App Store fluctuates much depending on season, smartphone releases and many more factors. From our experience companies that would like to work on the App Store market should have a 9..12 month of operational expense in case of a negative scenario.

ADVA Soft surely created such reserves and had a possibility to select the best risk response strategy.

The most obvious strategy is to move from one time payment monetization model of the app to subscription when ongoing payments can support the team work and add more sense to business itself.

Factors that shows the reason going subscription:

1. Smartphone sales doesn't grow anymore — market reached its saturation and people just upgrade their phones to get more productivity.



Sch 2.1. Smartphone sales statistic. Source: Statista [9].

App development companies can't rely anymore on market growth in their calculations.

2. Subscription model is already used by many App Store application developers. Customers got used to paying subscriptions for apps they love. At the same time the developer takes responsibility to support the app and improve it within all the operating system updates.

3. TouchRetouch has a great amount of organic traffic to the product page.

Many users requested the possibility to try the app before paying which is impossible in case of paid model when you pay before using.

4. By 2022 even after the selling spike there were only 2.86M units sold which is a small number of the worldwide application market.

5. By discovering user reviews there can be seen that there are customers that value the app more than its pricing in \$3.99 of one time payment.

6. There are already competitors on the market with object removal apps that have subscription monetization strategy and are quite successful in revenue.

One time payment model was the only model when the App Store arrived and it worked great on a drastically growing market. Surely it can be a strategy to enter the market for a new business. But it won't allow to build sustainable apps that can be improved again and again.

Subscription monetizing model also allows to acquire new customers at a higher price because the customer lifetime value (LTV) becomes higher.

## **2.2 Risks estimation**

Still there are some risks for the utility app to go to subscription:

1. Small user retention: users come to the app to make their job done. In case of TouchRetouch — clean their photos from unneeded content. It is more natural to pay once and have it in the pocket to use when needed, not every day.

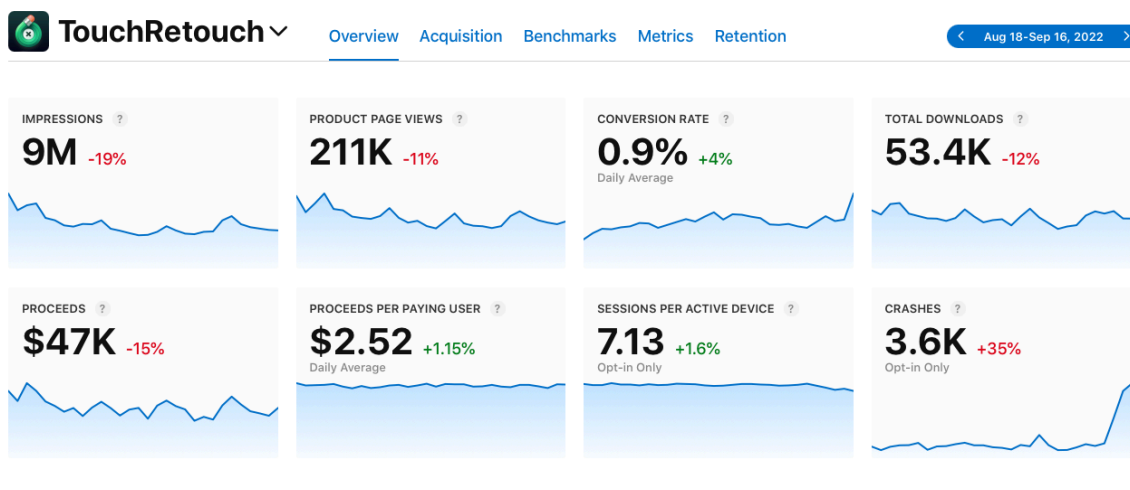
2. It is needed to set a higher price to find such users that will use the app on a regular basis to do their job regularly.

## 2.3 Finding additional insights

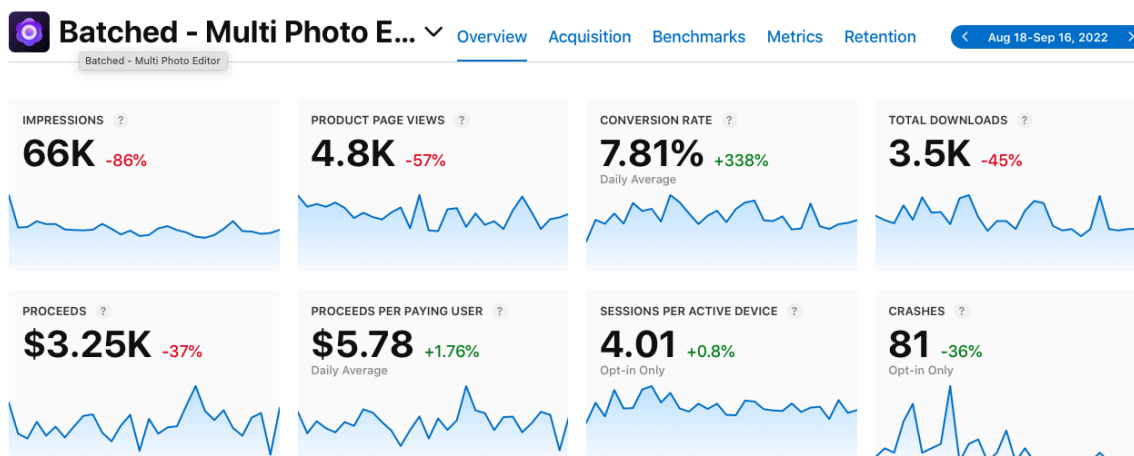
It is possible to find market benchmarks for apps to convert from App Store Product Page views to downloads, later in trial and later in paying customers. The problem is that data differs 10..12x times from bottom to top performing apps. Surely in this case data can be very inaccurate.

Thanks to the fact that the company already had a Batched app with subscription monetizing model in its portfolio. This allows to find the most precise insights of how the new model can perform.

For the TouchRetouch it was the following statistics:



Sch 2.2. TouchRetouch monthly sales analytics in 2022. Source: App Store Console  
Batched app data:



Sch 2.3. Batched monthly sales analytics in 2022. Source: App Store Console

Obviously that the result data can differ because of a bit different audience of two apps but it is the nearest benchmark possible. Batched app subscription apps have higher revenue per paying user which is an aim for TouchRetouch app.

Graphics shows that it is much more likely for users to download the app after entering its product page if the app is free to download.

One more important parameter in pricing formula is that conversion from trial to paid is about 30% [9]. Because of that the price or better life time value should be 3 times more than it was before.

If you have competitors on the market with very similar products then the price should also be comparable. Their comparison is in the Table 2.1.

Table 2.1. TouchRetouch competitors pricing and performance. Source: SensorTower

<b>App</b>	<b>Price per year</b>	<b>Downloads</b>	<b>Revenue</b>
Remove Objects	\$39.99	100K	\$200K
Photo Retouch-Object Removal	\$49.99	400K	\$300K
SnapEdit	\$25.99	500K	\$200K

We decided to set the new price \$15 as it seemed a reasonable compromise between the previous \$3.99 and the price of competitors.

## **2.4 Grandfathering old users**

There are 2 ways to go to subscription monetization: change pricing within the same app or create a new app with different pricing. When you leave the same entity you need to do something with old users that bought the app on conditions they will use the app forever. Industry standard is grandfathering. Grandfathering — retaining your old pricing plan for existing customers, while new plans are applied to all new customers [10].

There are many difficulties caused by managing grandfather users and many companies use the possibility of the App Store to use a new entity not to deal with such problems.

The negative sides of grandfathering the app at the App Store:

1. Need to manage grandfather users and separate permissions for old and new users.
2. Possible negative reaction to monetization changes and consequently negative reviews. Negative review can worsen the app performance [11].

Still there are good sides to leave the same app:

1. The most transparent and fair approach to users.
2. Possibility to propose all the old users to support, update and subscribe for a beloved app.
3. All the links from reviews through the internet lead to the original TouchRetouch app and only a big marketing budget can change organic traffic to the new link.

It was decided to go with a new monetization model on existing application without creating a new entity.

Grandfather users were proposed 50% discount on the first year of use.

## **2.5. Final strategy**

Consequently the product team went with the following strategy of changing monetization model:

1. Set a new price \$15 per year of usage — that seemed a good, reasonable price point for the product to change its business model.
2. Allow free users to use all the features and edit only one picture per day — to bring value for Freemium users.
3. Propose all old users to support the app and subscribe to get all new features to come at a discounted price for the first year.



## **2.6. Additional sources to overcome crisis**

One more step to accumulate more resources in the company was to apply into App Store Small Business Program. It is aimed to help developers who earn less than 1 million USD in proceeds and Apply start to apply smaller store commission: 15% instead of 30%.

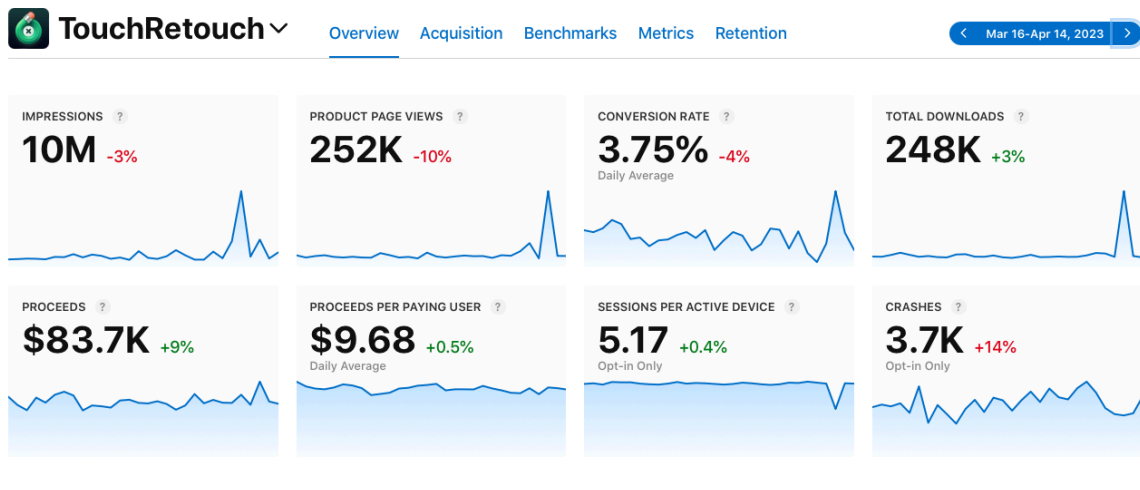
For small companies this program have a big impact. It was one of those steps that preserves more resources for ADVA Soft and allowed to make further changes for growth.

The first year for every subscription app is harder because if you rely on a yearly subscription plan it will take 1 year to get to know paying user retention. By that time it can be taken as the standard rebill rate for photo editing category: 25%. There are very different apps at the App Store and from our own experience this average number can vary vastly depending on the app and users' use cases. Thanks to a strategy to propose grandfather users moving to subscription with discount offers it should supplement revenue vastly and help to build a good base for future growth.

## **2.7. Result estimation**

Going from paid to freemium monetization model is almost no-return step because there is no any A/B testing possibility for such move. It was a wisely thought step into uncertainty. Fortunately this tactics brought gret results and appeared to be successful.

As a result of changing monetizing model proceeds went up almost twice:



Sch 2.4. TouchRetouch analytics. Source: App Store Connect [12].

Table 2.2 TouchRetouch revenue structure. Source: App Store Console [12].

Users	Proceeds	%
New	\$68.8K	82.3%
Old	\$14.9K	17.8%
Total	\$83.7K	100%

As a bonus TouchRetouch app got much more downloads to power up its organic traffic so even free users can recommend the app to each other.

This turn saved the company from big layoffs and possible collapse. The core product again becomes a more predictable source of growth and that is more important the source to finance new ideas.

There are apps that copied TouchRetouch functionality and earn more than original. It is common situation at the Apple App store. But this also shows the possible potential for TouchRetouch app to grow as in many reviews TouchRetouch is considered to be original. The team should solve the task how to set up marketing and monetization the way we can earn more.

## 2.8. Post mortem analysis

Even when a product has its success there are good, better and even better solutions. What if the product team had changed to the subscription monetization model much earlier. Here can help a post mortem analysis which typically used to get to know what was well and what could had been done even better. We can review our decision making process on app monetization strategy.

***Facetune app case study.*** Facetune 2 was the first app in the photo editing category that tried the subscription monetization model in 2016. Lightricks company the developer of Facetune went with the following approach:

1. They left the original Facetune app to avoid criticism from already existing users.
2. Facetune 2 app was released as a standalone app with massive user acquisition campaign directing the traffic to the new application.

That shows how important to check the trends on the market and learn from mistakes or successful moves of other companies.

Consequently TouchRetouch monetizing model could have been changed in 2018..2019. It can also be the way by developing another more feature rich app named TouchRetouch 2.

Sometimes just following the leader helps to learn a lot from the market before making own independent decisions. After number 1 company made this turn. Users already were ready for new monetization models. In the following table there can be calculated the difference in income that could be whether the product team changed the monetizing model earlier:

Table 2.3. TouchRetouch sales analytics. Source: App Store Connect [12]

Monetizing model	Impressions	Page views	Downloads	Income	Date
Paid	94M	1M	193K	\$224K	May..Aug 2021
Freemium	15M	489K	579K	\$265K	Nov..Feb 2024

According to the table with much less views and impressions the income can be comparatively the same. That means TouchRetouch could have got much bigger revenue and the company could have received much more resources. Based on data from the App Store Connect console.

Table 2.3. TouchRetouch sales analytics with prediction. Source: App Store Connect [12]

Monetizing model	Impressions	Page views	Downloads	Income	Date
Paid	1B	12M	1M	\$1.16M	2020
Freemium (Possible)	1B	12M	14.2M	\$6.5M	2020

This can be a good lesson to check the market on a regular basis not to lose great possibilities and attentively track successful competitor's moves.

## SECTION 3: REORGANIZING PRODUCT TEAM TO DRIVE GROWTH

### 3.1. Current team review

Today it is only a rare exception when one person can drive growth of the business or product. From the very beginning of the ADVA Soft there were a lot of challenges in which founders had to be involved and fix, overcoming them to keep the company stable. This allowed us to build very close relationships with every teammate and make fast decisions in response to every problem that appeared on the horizon. It also allowed us to be ready when circumstances led the TouchRetouch app to great success.

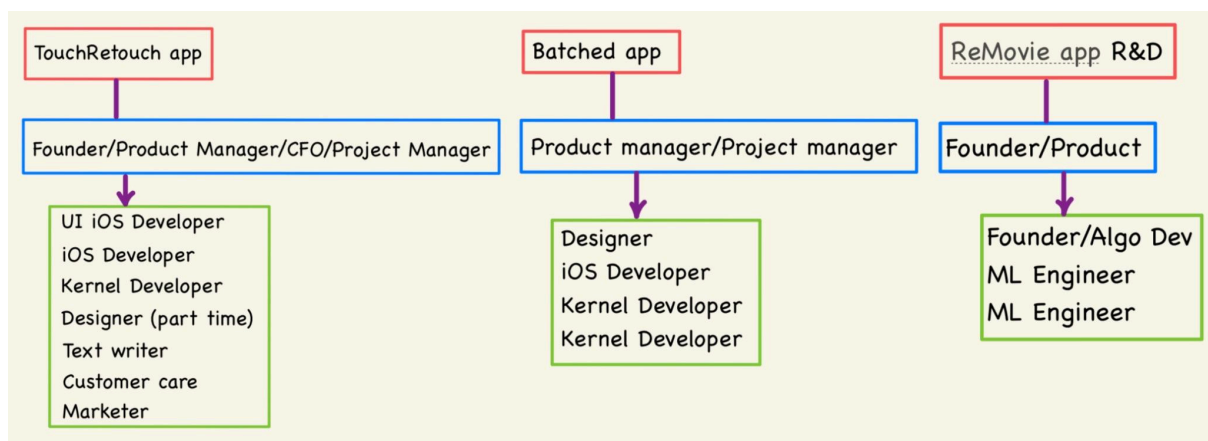
Once a video of the beauty blogger went viral and was duplicated lots of time in other videos of other bloggers. The company management made a mistake by thinking that to maintain the success you need to continue to do what you did before. ADVA Soft company concentrated on the new projects which were expected to lead to the success as easy as previous.

### 3.2. Team retention challenge

At the time when everything went to worse it is also hard to keep team together, keep people engaged to better future, especially in a war context. Here

But experience gained shows that every product manager should see 1 or 2 steps forward to lead the team in the right way.

By the end of the year 2022 ADVA Soft company were with the following team structure:



Sch 3.1. ADVA Soft team structure, December 2022. Source: selfmade

Pros and cons:

- + Very fast communications and solutions
- + Buggy builds are fixed fast
- + Close relationships with customers
- + Ideal value transfer to the customers
- No possibility to think about new directions and growth

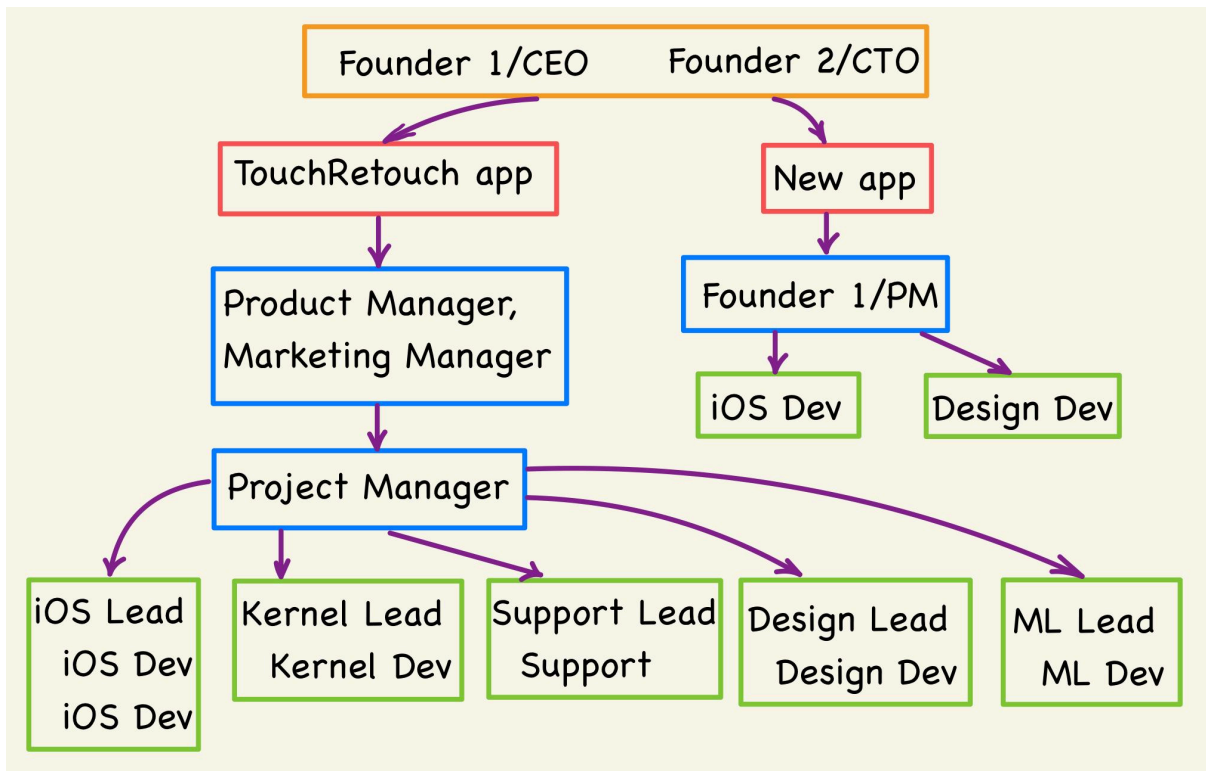
Moving to subscription opened the perspective that TouchRetouch product monetizing can be more predictable and sustainable. When you understand that the revenue is predictable and won't stop one day a new investment in a technical team becomes possible.

TouchRetouch needs to keep up with competitors. So the team should be reorganized. Many founders are looking to find a universal recipe to structure a product team. According to Martin Cagan there is no such. Everything depends of the team configuration. The main thing to build the team of Missionaries not Mercenaries [13].

The following actions were performed:

1. Batched app and Removie app projects were closed.
2. TouchRetouch team was replenished with more specialists to drive faster feature development.

Every experience is valuable and even negative. Thanks to failed projects people in ADVA Soft gained experience that was wrong and what should be vastly improved. We've got new rising stars in the company: former project manager grew to product manager with experience of how the project can fail. Former UI designer grew to product designer with stronger vision of how to develop and integrate new features.



Sch 3.2. Improved team structure. Source: selfmade.

The team was divided into subteams with leading specialists heading every of them. Also a new project manager was hired.

This added autonomy to every sub team and added more helicopter view on problems for project and product managers to have the possibility to concentrate on strategic things.

### 3.3 Tools and processes changes

With the new subscription model new changes arrived into the decision making for product development.

#### 3.3.1. Analytics

From the very beginning TouchRetouch app valued privacy among all. All decisions were made after a few support emails and user interviews. In today's world it is very costly to make wrong decisions. Right decisions in case of tens of thousands of sales can be found after learning bigger data. The following tools were integrated for better decisions:

1. Usage analytics with Mixpanel — the most comprehensive tool to check users' behavior.

2. Firebase analytics — additional analytics to add even more data.

3. Payments management analytics with RevenueCat — one of the best payment management systems which also helps with grandfather users to recognize and propose discounted price.

### ***3.3.2. Project management tool***

From the very beginning the company used Redmine as a project management tool. The main advantage is that it is Redmine free. To achieve better results in today's postcovid world when all teams are very distributed the new tool is needed.

Here is the selection of top project management tools:

1. Jira
2. ClickUp
3. Moday.com

We've selected to use ClickUp:

1. It is growing fast startup on a competitive market — inspirational for the team to work with new product
2. Lots of possibilities to work, communicate and automate the work
3. Very handy on mobile phone which is important parameter for mobile development company.

### ***3.3.3. A/B testing***

A/B is a crucial process for any product development today offline or online. Much more informed decisions can be made using this tool. Companies that use this tool will always have one more unfair advantage over the companies that ignore this possibility. Still it is important to operate with depersonalized data. Every test in a new feature using, new design applied or content proposed is very valuable for the team to drive even better user engagement and conversion rates. This process reduces guessing and can prove whether assumption is right or wrong on a big number of users.

Leading solutions in A/B testing for iOS are:



1. Superwall — best of the best with very agile approach to testing, the speed of implementing the changes.
2. Adapty — great price/feature ratio, but originally is Belarus product.
3. RevenueCat — started to add this possibility comparatively recently and is not yet very agile and feature rich.

We managed to get a big discount and integrate the best A/B testing tool: Superwall.

Also the product team added in their work product matrix for selecting the next major features wisely.

#### **3.3.4. Results**

As a result, the CEO is not responsible for the main product anymore. Moreover, new product and project managers do their work better than founders who are trying to be everywhere and solve everything without focusing for a long time on just one thing. After a few months the first successful moves also came. The team successfully developed a new feature for TouchRetouch (Erase AI — find and remove people on the background without the need to select them manually) with complex approach to product development:

1. Market research with gathering users' feedback to find out features that can add value to the app.
2. Prioritizing using Product Matrix where user impact and development efforts can be effectively balanced.
3. Developing new Erase AI itself with 20% deviation from estimated time.
4. By using A/B testing the team got to know that new additions to the app improve conversion by 15%.
5. Feature was released to full rollout and as a result brought higher revenue with return of investment within 5 months.

## SECTION 4: PLANNING COMPANY'S SECOND ACT

It is quite obvious that ADVA Soft should further improve its main product TouchRetouch. Also it is very important to find a sustainable strategy for company growth by gaining the predictable safe strategy for future product development.

### **4.1. Learning from others**

App stores are rich in companies that not only make a successful product, gather great money and melt down but also on companies who build their successful growth and become great multi product companies.

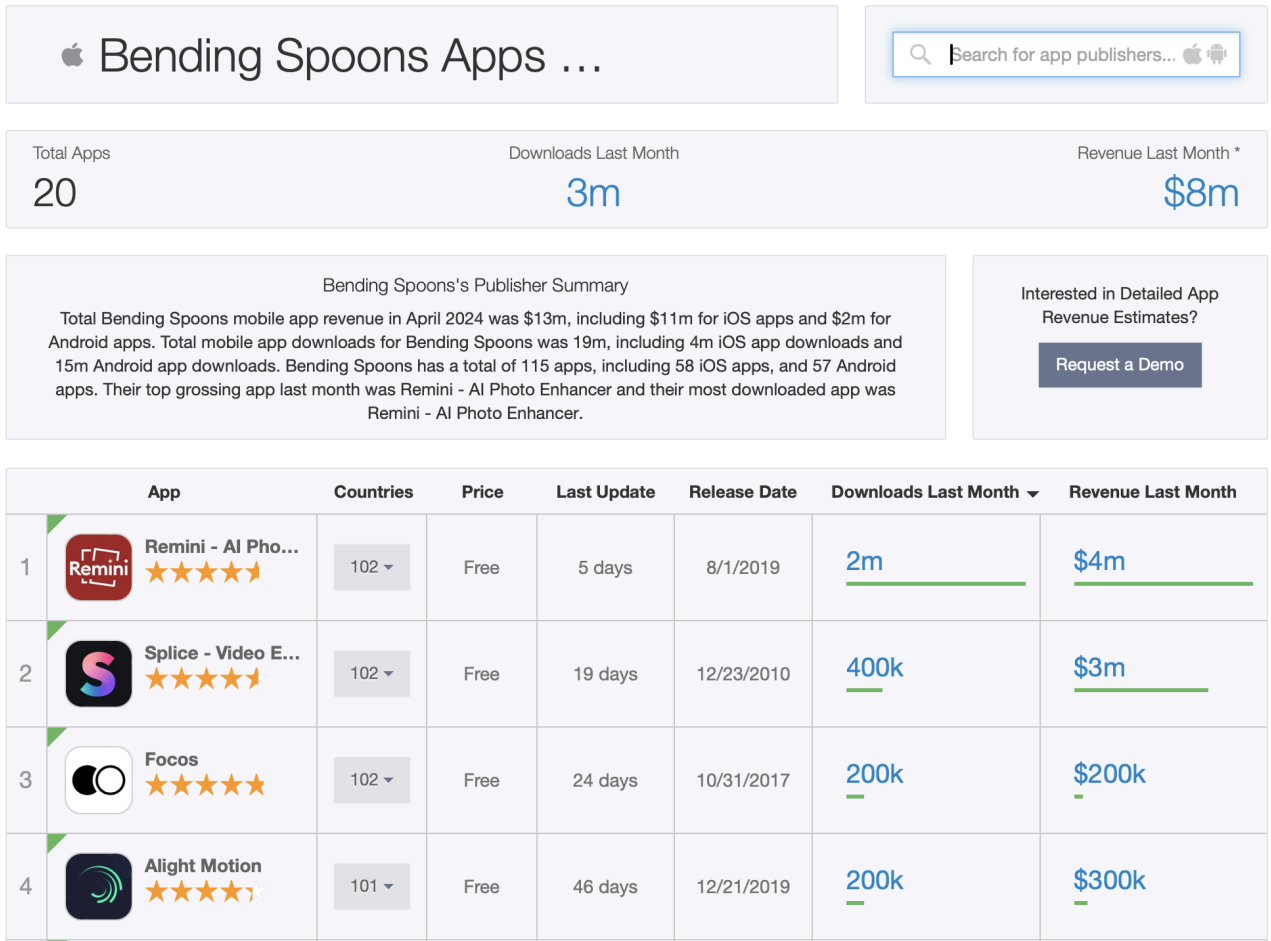
#### ***4.1.1. Bending spoons apps case***

Bending Spoons apps is number 1 publisher in Europe with average monthly revenue around \$13M.

Bending Spoons' winning strategy was to diversify their App product portfolio from fitness to photo retouching, video editing and entertainment [14].

According to the interview the CEO of Bending Spoon company gave from the very beginning it didn't go as it was expected. The team released a few apps with no big success. They even closed one company and opened another from on their early days. After a few tries the company found its winning strategy in looking for apps that already found their product market fit but still have hidden potential to grow. They developed their own set of successful metrics and as a result world famous apps like Splice and Remini AI unlocked new level of success [15].

SensorTower analytics helps to see product portfolio in details.



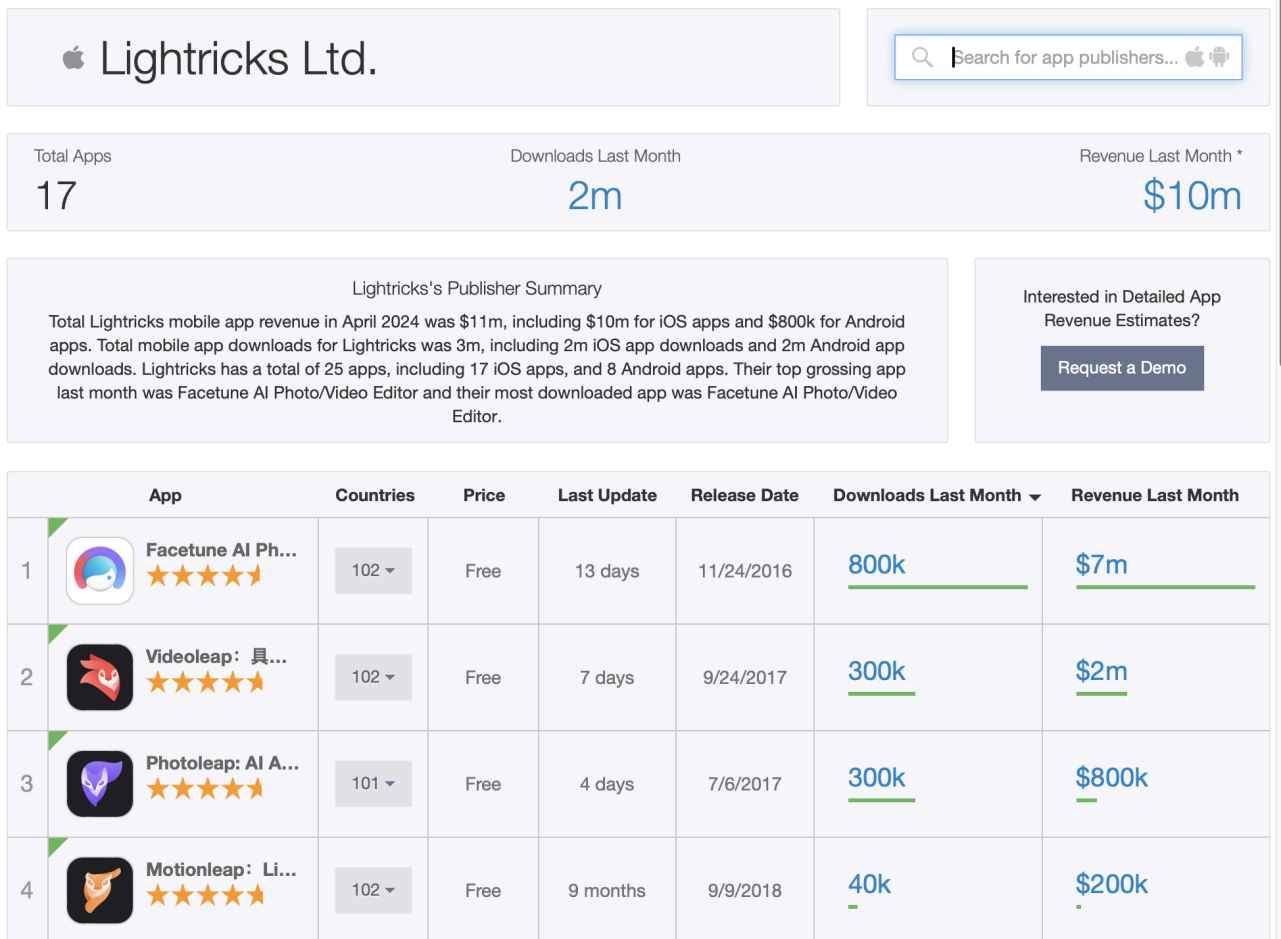
Sch 4.1. Bending Spoons Apps product portfolio benchmarks. Source: SensorTower.

#### 4.1.2. Lightricks case

Lightricks started as a company from the Facetune app. It was a real success to fix the biggest users' pain of how to improve their selfies at the time of weird selfie cameras. Company became popular, achieved top place in the App Store in many countries. Despite already achieving success, the company didn't stop. Their next step was to release a fully featured photo editing app Enlight in 2015. Moreover the company decided to be the best innovator. The next level of success came and the great step ahead was when Lightricks released Facetune 2. In this app they have innovated a monetizing model for photo editing category by converting it into subscription [16].

Subscription model allowed to improve user LTV and easier be winner in performance marketing. It was a very risky but very bold move. Lots of hate from users and reviews like "greedy developers". In a few years afterwards the subscription model became a monetizing standard for all successful App Store developers.

All the analysis shows that Lightricks managed to make its successful second act, continue to innovate and build new applications. Historical data from Sensor Tower shows that there were failed apps but the company continue its product discovery with innovation in different possible positions.

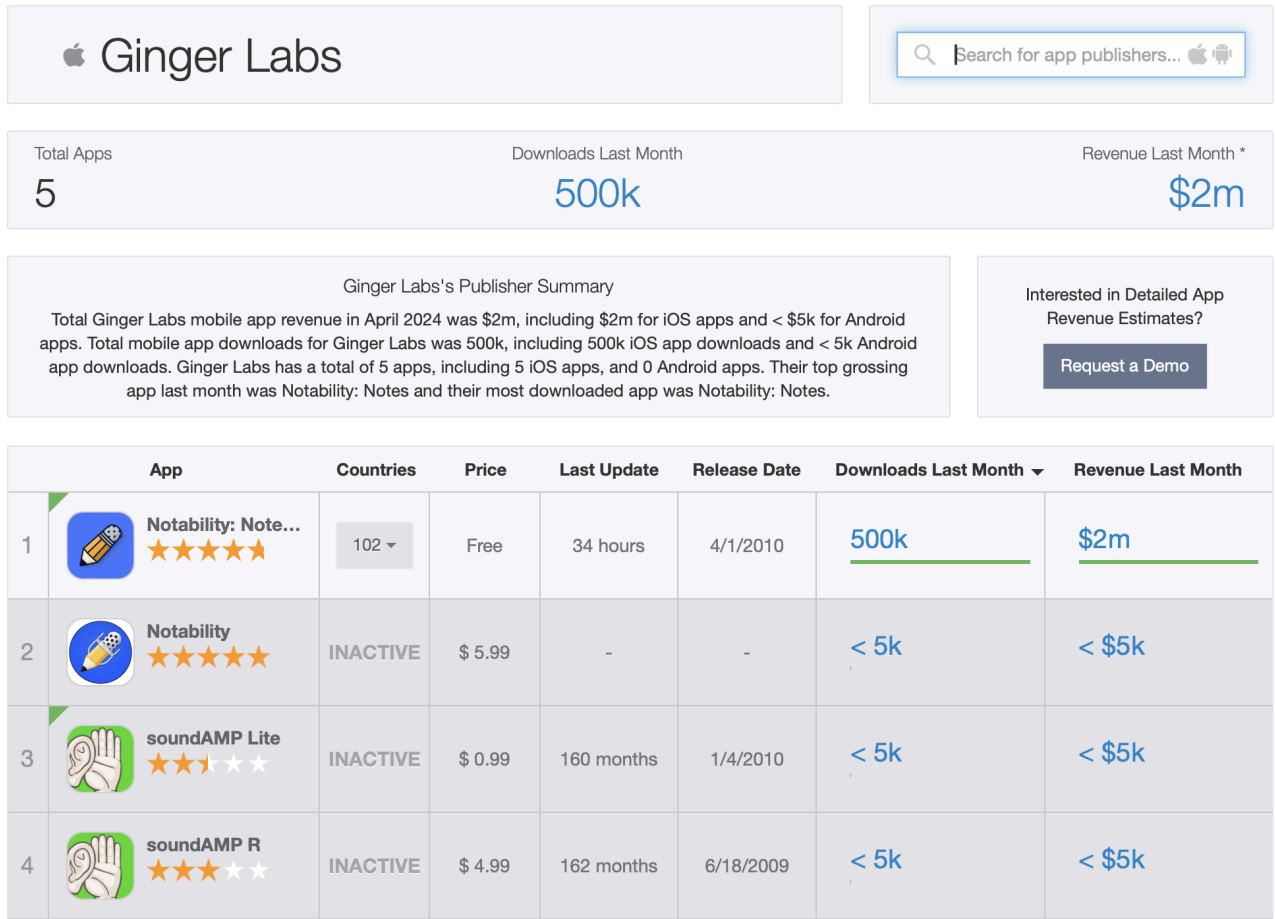


Sch 4.2. Lightricks and its product portfolio benchmarks. Source: SensorTower [17]

#### 4.1.3. Notability case

One more interesting case could be Ginger Labs company. They developed one successful product — Notability app in 2010. Despite a few tries, according to SensorTower analytics, they closed all the ineffective projects and focused on improving their only core product Notability. While not being the number 1 app in note taking (GoodNotes has more downloads) they are growing from year to year.

This is the case when company achieved a very stable position on its market and seems that no disruption in the nearest future is possible in their niche.



Sch 4.3. Ginger Labs and its product portfolio benchmarks. Source: SensorTower [17]

Three cases though three different successful strategies for growth. As a conclusion after research of winning cases and the summary of the current ADVA Soft company state can come to the following.

TouchRetouch is a great product that still have possibility to grow. ADVA Soft needs to improve it with market tests, new feature developments. It is how the TouchRetouch team has been working for years and found the way to overcome difficulties in a few crises. Renovated team should be able to keep up with today's market competition.

Notability is the great example of how to innovate, keep its market share and provide sustainable growth for a great product which was at the very beginning on a paid model, then changed with subscription. Recreated team, careful product development with best up-to date practices already gives its results.

Keeping the eyes opened on new products and markets is also vital for further ADVA Soft company growth. New product development can diversify revenue flow and can vastly improve risk management for the app development company.

There were already 4 failures of trying to develop a new product in ADVA Soft. It is very important to analyze the reasons and try again.

#### 4.2. Why did ADVA fail projects?

ADVA Soft company has its own original success story. It helped to reach top places at the App Store and lots of praises from the customers. But several product and managerial mistakes for the business were made and they almost brought to company bankruptcy.

From the current perspective users were glad to use Anticrop, Handy Photo and Batched app products, but the company just didn't manage to scale the user acquisition for them. The company needed to build detailed interviews with customers and possibly non customers to define good ways to pivot.

**Recrop (Anticrop)** — unique photo editing app for cropping and magically uncropping. It was ahead of its time because similar products appear at the App Store even now. The mistake was with its positioning and work on use cases. The great sample of successful cases and wise pivots could be No Crop and InstaSize apps. All of them provide similar functionality that doesn't much differ from ours.

Table 4.1. Recrop competitors performance. Source: SensorTower [17].

App	Downloads	Revenue
Recrop	24	\$33.2
No Crop	10K	\$50K
InstaSize	100K	\$700K

**Handy Photo** — a great product, but Enlight app — full featured photo editor which had very similar functionality was released a few years after and successfully found its audience and paid customers. Users might not like unusual and complicated

user interfaces. It was an app with great potential for a community of photo editors on the go. All the needed functions and even more were implemented in it. Weak marketing machines also can be a reason why the project at the end appeared to become not profitable. The table provided the revenue of apps with very similar functionality in the core but with much better success in user acquisition, targeting their customers and monetizing strategies.

Table 4.2. Handy Photo competitors revenue comparison. Source: SensorTower [17]

App	Downloads	Revenue
Handy Photo	29	\$60
Bazaart	200K	\$800K
Picsart	7M	\$1M
Photoroom	1M	\$3M
Pixelcut	300K	\$700K

**Batched app** — a great product that even now has good product metrics with some potential to grow with good marketing. In case ADVA Soft will have resources it can be a good variant to make product rebirth.

Table 4.3. Batched app competitors revenue comparison. Source: SensorTower [17]

App	Downloads	Revenue
Batched	750	\$952
PhotoRoom	1M	\$3M
Picsart	7M	\$1M
Pixelcut	300K	\$700K

Fortunately today there is much more knowledge about product management which can help to avoid lots of mistakes that were made on the time when product manager positions didn't even exist.

### **4.3. Action plan for the company**

Proposed action plan for diversifying ADVA revenue:

1. Develop further strong experienced product teams inside the company. From the very beginning ADVA Soft often relied on junior specialists when hiring as it was the only way to hire developers on the market. In current ADVA Soft position it is better to shift hiring into more experienced talents that can bring additional expertise especially from successful or failed startups.

2. Finding mentoring from companies that already made their second act. It is very honorable today not only be a great specialist but to be a good mentor. By finding relevant mentors smaller companies can bring new competencies and already gained somewhere else experience much faster. It is very valuable not to repeat some mistakes. Though mentors should effectively aligned with already established processes, values and goals as there is no two identical companies in the world.

3. Every company has its own strong sides. Only when these competencies are fully unlocked can bring multiplication effect when the company rocks: create and improve product and its marketing at such a pace that nobody on the market could reach its level.

4. Negative scenario planning: be always ready to be disrupted and how to survive in case something unpredicted happens.

5. Developing a strong R&D department that can regularly supply the development team with innovations so the apps can shine amongst others on the market.

### **4.4. What was done**

We have found the possibility of getting mentoring from Genesis specialists — one of the most successful Ukrainian product companies. Made a Product Discovery



considering App Store market features where not always the best product wins, but the best and the most effective business often wins.

ADVA Soft has already started a new project with a very small team with small efforts to try and experience sharing from the TouchRetouch team.

Many more are planned for the future: brainstorming using advanced frameworks like 10 types of innovation. Despite the fact that the company is ADVANCED and has always wanted to make the best tech solution, there is also a wiser way to bring innovations.

## CONCLUSION

ADVA Soft company, despite the war and market changes, managed to overcome very threatening difficulties. It is already a great achievement. The company currently has a balanced P&L (Appendix 2) with a very positive prediction and is ready for the next wise steps. It is only a start; there are still challenges on the way forward but now we are more sure that all obstacles are a great opportunity to grow. The app market is a great place to make business despite high competition. Developers generated \$1.1 trillion in the App Store ecosystem in 2022 [18].

It is also very important to remember that dynamic market movement that can change everything at once. So, every step should be planned thoroughly and projected in light of possible negative scenarios. Product teams should be passionate about their results and be ready to rock on the very best level so nobody in the world could move faster and, even after releasing a similar solution couldn't recreate the original market position. ADVA should be ready to compete, even itself.

Would like to say thanks to the lvbs community, which helped a lot in this way to recreate the company, especially groupmates who always encouraged us on things we in our company never dared to try before.

Surely, there are big risks ahead:

- Apple WWDC, where object removal can become a simple API that is available to every developer.
- Or a new iPhone with already integrated such possibilities like in Google Pixel.

Still, strong products with great teams are often more stable in disruptive conditions. The history of ADVA Soft can prove again that everything stops when you give up trying.

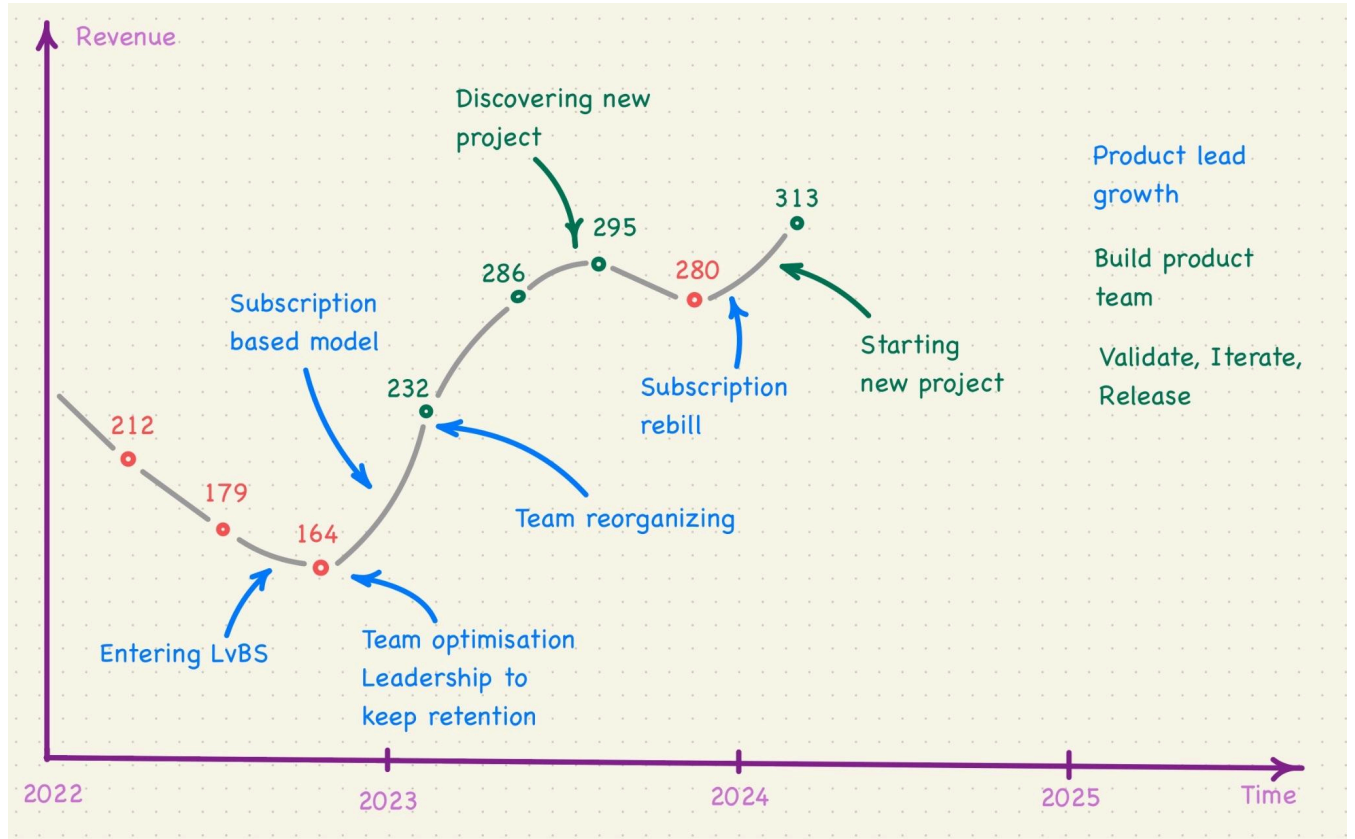
**Appendix 1. ADVA Soft cashflow 2022: October, November, December,  
January**

<b>Income, EUR</b>					
		<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>
1	Apple	56,579	47,446	58,498	45,626
2	Android	7,959	8,360	7,089	4,520
3	Other	1,300	973	1,700	0
<b>Total</b>		<b>65,838</b>	<b>56,779</b>	<b>67287</b>	<b>50146</b>
<b>Expences, EUR</b>					
		<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>
1	Salary	49,274	45,704	43,957	41,964
2	Taxes	7,200	30,000	22,000	3,785
3	Accounting	500	500	500	500
4	Office	320	1,389	688	410
5	Marketing TR	2,345	5,721	244	6,380
6	Tools update	1,222	130	1,600	766
7	Commision	179	42	140	32
8	Other	1,368	1,551	17,677	2,400
<b>Total</b>		<b>62,408</b>	<b>85,037</b>	<b>86,806</b>	<b>56,237</b>
<b>Result</b>		<b>3,430</b>	<b>-28,258</b>	<b>-19,519</b>	<b>-6,091</b>

**Appendix 2. ADVA Soft cashflow 2024: January, February, March, April,  
May**

<b>Income, EUR</b>						
		<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May(prediction)</b>
1	Apple	71,250	77,850	99,460	93702	153000
2	Android	2,200	2630	2160	2100	2000
3	Other	1,300	1000	1700	711	800
4	Tax return	0	26550	0	0	0
	<b>Total</b>	<b>74,750</b>	<b>108,030</b>	<b>103320</b>	<b>96513</b>	<b>155800</b>
<b>Expences, EUR</b>						
		<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May(prediction)</b>
1	Salary	60,000	59,000	52,200	65,260	66,260
2	Salary social	4,010	4,800	4,800	4,670	4,800
3	Internet services	5,908	7,416	5,580	6,700	6700
4	Study and Learn	1,650	850	1,615	800	1,615
5	ML infrastructure	1,320	220	2,600	1,100	2000
6	Taxes	3,500	12,100	8,020	3,500	8500
8	Legal services	110	500	0	1,500	500
9	Accounting UA	1,000	1,000	1,000	1,200	1200
11	Office	350	1,600	270	4,500	1000
12	Marketing TR	7,724	1,876	1,900	3,500	6000
13	Tools update	0	0	225	0	0
14	Commision	90	130	140	150	150
15	Donates	980	2,920	850	1000	1000
16	Mentoring	2,400	850	0	1500	1500
17	Other	1,030	750	350	1000	1000
	<b>Total</b>	<b>90,072</b>	<b>94,012</b>	<b>79,550</b>	<b>96,380</b>	<b>102225</b>
	<b>Balance</b>	<b>-15,322</b>	<b>14,018</b>	<b>23,770</b>	<b>133</b>	<b>53575</b>

### Appendix 3. ADVA Soft revenue timeline 2022..2024



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