Today was the day at BuonGiorno! MyAlert’s Spanish offices: The company figures were eventually in the black, leaving behind years and years of uncertainty and proving the company’s business model right. Mobile data alerts worked! Jorge Mata, its founder in 1999, called a toast with all his team and enjoyed the sweet smell of success. But his inner entrepreneur could not stop thinking over and over: What will be next? What should be the next challenge for this company?

He knew that the company could not stop growing to satisfy its shareholders, who had bet for the project since its inception. Probably this was the right time to get back to the starting point and thinking it over: that opportunity originally based on a technology driven vision was now a profitable European leader.

However, it appeared as if the development of the company’s proprietary technological platforms, once its key competitive advantage, was not a core part of the company’s future anymore. How could that be? How could then the company make sure that it could keep its edge at creating and launching new products in a flexible and innovative way? Not a bad question for a physician turned entrepreneur...

MYALERT

“My Alert aims to become the world leader in mobile commerce”.
Jorge Mata, President and Founder of MyAlert

THE ENTREPRENEUR’S PROFILE

The business idea was so simple that Jorge could not believe that no one had already thought about it and was fearing about a bunch of competitors waking up tomorrow with the same creed. He simply wanted to take advantage of the “alerts” -data messages sent through the mobile phone network- to create services as attractive as the ones which were being launched in the Internet those days.

His professional experience was certainly a perfect match to bring these two concepts together. Telecommunications Engineer at AT&T Bell Labs, MBA Graduate at New York University, four years at McKinsey and Company specialized in Telecom and Multimedia, Vice-President at Banco Santander developing Internet banking solutions and the first GSM banking European development, and Vice-President for European Services for Broadvision, pioneering company in the development of Internet one-to-one marketing services.

Time to market was critical. And he did not need it to think it twice. He gave up his highly attractive stock-option plan at BroadVision and approached its Founder and CEO, Pehong Chen. He
explained him his business vision and his resolution to quit and start working on his project. His now former boss, after carefully listening to him and checking his strong determination, not only understood his decision but also asked him a favor: he wanted to invest in the project.

This validation of the idea’s high potential was a good checkmark for his ambition: creating a world leader in a market which was yet to be created. But... How could he achieve it? Which was the starting point?

STARTING THE COMPANY

MyAlert is created in March 1999 with a half million euros initial capital and a tightly defined target: making personalization happen in the mobile telephony industry, taking advantage of the growth in GSM adoption and the data services market associated to it.

However, it was obvious for Jorge that these resources, mainly achieved from business angels and a very close private equity fund, were clearly insufficient to carry out such a project. While these first funds were applied to start developing its product, his first priority became focusing his efforts and energy in raising the funds to achieve the other ingredients he needed to develop the project: a top tier management and technical team and a sound technological platform to make alerts work at the targeted scale. As he recalled some time later: “That could seem a lot of money, but when you make strong expenditures in technology and staff, it runs away quickly. I got top engineers to work with me, we got an office and we tried to make the money last as much as we could... but in September 1999, three months after we started, we did not have a cent”.

MyAlert started as a “portal of alerts”, allowing its users to define through the company’s web site which information alerts they were interested to receive via a text message delivered to their mobile phone. In the midst of the Internet boom in Spain and Europe, Jorge pioneered the extension of its kingdom into a related domain: the mobile phone’s mailbox.

Jorge’s first intuition was that main customers for his alert services would be the banks and financial institutions, and he focused aggressively in bringing the two largest Spanish banks as shareholders in the company. In October 1999 a new capital increase was approved, subscribed by these two banks together with other private investors and venture capital funds, grossing an extra 4 million euros for the company.

After this financing round Jorge hired a management team to keep growing the company. Taking advantage of a highly dynamic market, he managed to attract very qualified top talent, such as his former colleagues at McKinsey Santiago Olivares (COO) and Javier Rodríguez Soler (CFO), as well as other acknowledged professionals, such as Fernando González Mesones (Country Manager for Spain) from Procter & Gamble. But the bulk of the recruits happened in the technology area. The company reached 35 employees in 1999, more of 80% of which were technically qualified (Annex I).

With these resources, the company starts developing its own technological platform: MAGO. MyAlert is starting to happen.

MARKET LAUNCH

The first versions of MyAlert’s Internet portal were operational in July 1999 and allowed its users to opt in for several types of alerts. Basic services such as stock quotes, top headlines of the day or soccer match scores were the initial breed, based on data feeds provided by Europa Press, a leading Spanish news agency which also took a stake in the company. The number of services keeps expanding thanks to agreements with other content and service providers, giving way to offers and information about topics as varied as travel, wine or technology, and even to services as innovative as an alert to remind you several times a day to quit smoking (Annex II).
This experience as a portal does not only allows the company to become the leader within that market segment but also to identify potential business services for the companies they were partnering with. Using the mobile text alerts in innovative ways they start developing customized services for corporate customers. For instance, allowing the recruitment consultant Adecco to contact candidates in record time by delivering them employment offer alerts in real time (Annex III).

Thanks to this ample offering of services and contents, My Alert’s portal user base starts growing very significantly, and traffic levels progress hand in hand with product development. In less than a year the portal has achieved more than 200,000 registered users to its services without a substantial advertising expense (Annex IV).

The company aimed to extend these services to all European major markets. Its entry strategy was replicating what was already working in Spain: launching advertising supported free services in a way which allowed to grow and develop a local presence and then start offering business services based on MyAlert’s proprietary technological platform. Since its launching in France, in October 1999, until July 2000, MyAlert replicates its business model in Italy, Germany and the United Kingdom. Meanwhile it prepares its entry into the Latin American market and explores other markets through partnerships (Israel, Turkey...). This is done through gradual and organic growth, appointing a Business Development Manager in each country who may identify and point out other potential needs.

On the other side, MyAlert also becomes international in the development of its product and the underlying technological platform, taking a stake in companies in other countries with the aim of diversifying its R+D risk. Together with the development center in Madrid, the company invests in other companies with complementary skills in Bulgaria (because of low costs and high productivity) and Finlandia (taking a control stake in Future121, specialized in WAP and 3G developments).

**CONSOLIDATION OF THE VENTURE**

MyAlert had proven the good acceptance of its product: more than 200,000 users were subscribed to different sorts of alerts allowing them to receive every sort of information in their mobile phone’s mailbox. The company which made that possible was a 80 people team with presence in more than five countries and its own alert personalization technology platform. However, the universal vocation of the venture kept demanding further growth. Fund raising became again MyAlert’s primary target.

In May 2000 MyAlert closed successfully a new financing round, bringing 48 additional million euros to the company’s cash balances. Together with the original shareholders, which increased its investment, the financial team of the company lined up top tier investors such as Nomura, Brokat, 3i, Partech, Broadview and Endesa. Probably the key success factor was the comfort that investors could feel in participating in a company which owned a proprietary technological platform as well as a strong operating network of strategic partners. This allowed the company not only to take advantage of its current business and product set but also to develop new lines of business in different steps along the industry value chain.

MyAlert’s market value had gone from 14,2 million euros by December 1999 to 163,8 million euros hardly a year later. The company had become a top player in its market and analysts’ reports quoted it as “positioned to become a major international mobile portal” and a “likely consolidator in the industry”. European specialized media sorted the company out as one the top 12 highest potential European high tech startups.

But then came April 2000. The Nasdaq Index fell dramatically and the dotcom bubble created around the Internet and new media development burst. Markets went deeply pessimistic. Economy
falls into recession. New technologies take the worst part of the crisis. Suddenly MyAlert was forced to re-evaluate if these glory days could last despite these changes in the scenario.

**BUONGIORNO! MY ALERT**

“There are two absolute imperatives for ambitious European high tech companies: critical mass and positive P & L. Our merger with MyAlert allows us to speed up our development in both directions. On one side it brings critical mass—in terms of staff, technology assets and know how- to become the most important technology business operator among all those (telecom operators, media, internet companies, financial institutions... ) aiming to work in the digital communication new platforms (email, SMS, GPRS, UMTS). On the other side, it does help to improve our positioning in each of our markets and develops synergies to promptly reach a positive bottomline”

Mauro del Rio, President and Founder of BuonGiorno!

Despite the milestones achieved up to date, MyAlert’s management team left no room for relax after their successful financing round. On the opposite, the need to please their shareholders and reassure their confidence was compelling them to further push the pedal. The company had an innovative technology platform, a cohesive management team, a substantial user base for its services and a significant share of revenues within their sector. However, their final target was yet far off. Two particular challenges were yet to be solved: how to sustain the speed required for growth and how to move from now unacceptable “new economy” standards to a well balanced, positive P & L as required by “old economy” true and tested business models. How could they achieve each of them while not harming the other one?

Becoming a world leader required not only entering all the major markets but making it in a way which ensured a leading position in each of them. But the team quickly realized they would not be able to achieve that through organic growth, no matter how hard they would try. The competitive scene was getting increasingly difficult as competition escalated, particularly as failed Internet entrepreneurs entered this arena looking for a new Eldorado.

On the other side, MyAlert’s financials were acceptable in a “new economy” environment, with an investment community supporting the strategic need for short term strong losses to buy market share. But the financial markets had undergone a radical shift and were now requiring the revenue base to cover the cost base in every venture. Even when the company had reached a 5 million euros turnover, one of the highest within this sector, it was presenting sizable losses. Other reasons for worry came from the fact that a substantial chunk of the company’s future revenue projections came from advertising and mobile commerce (m-commerce), when both sectors were at an early stage while being seriously hurt by the economic crisis.

“I want to maximize value for my shareholders”, Jorge reported to the high tech publication Tornado-Insider when interviewed as one of the top promises of the European high tech industry. Organic growth alone was ruled out as an option: it was the hardest from a practical standpoint but would also seriously put into risk the company’s bottom line. Another theoretical option was a sell out to a strategic partner. Although less attractive for the team, highly committed with the project, it was clearly a way to ensure the long term survival of the project. That was actually the option chosen for some of its European competitors, such as the Finnish IOBox, bought out by Telefónica by 230 million euros —even when its yearly turnover was just 60.000 euros. My Alert’s management team did eventually push a third alternative: seeking for a “twin soul” to build together its great aspiration. After a long and careful review process of multiple sector companies sharing this ambition, the company agreed its merger with the Italian leader in personalized alerts and e-mail newsletters: BuonGiorno!

In September 2001 the Shareholders’ Meetings at both companies approved their merger through a stock swap by which Buongiorno! took over MyAlert’s total capital and subsequently issued a
capital increase granting to MyAlert’s shareholders the 33% of the newly merged Buongiorno!. This was an accurate reflection of the contribution of both companies to the merger and a perfect change equation: one third to two thirds. Both in terms of revenues and staff, MyAlert contributed one third while Buongiorno! brought two thirds. The outcome of the merger was a company with 260 employees, an approximate 30 million euros yearly revenues, 20 million subscribers to their services (meaning a yearly total of more than 3.000 million messages sent via Internet and mobile phone) and clear leadership in two major European mobile telephony markets: Spain and Italy. Moreover, both companies had exhibited an impressive success story in raising funds. Putting together their financing track to date, the new venture had raised 85 million euros throughout its history.

This complementarity was also remarkable in terms of their core skills: While MyAlert strengths were mainly built around the mobile data services market, Buongiorno! was a clear leader in the development of e-mail marketing services (both through the creation of every sort of information and entertainment bulletins and through the delivery of “opt in” solicited advertising services), having reached an 80% penetration over the total PC user base in Italy. This allowed them to create a new advertising market for the ad agencies, while in many other markets in Europe its fragmentation and smaller size had not called their attention. In this very moment, they were extending that realm to the mobile telephony platform.

Like most mergers, one of its immediate consequences was the need for restructuring and reorganization to reap synergies, decrease costs and speed up the path to profitability. Despite the fact that a strong cost cutting effort was needed –meaning staff cuts by 100 people- this was quite simplified by the complementarities in the strengths of both companies: Buongiorno! core strength was at advertising services, while MyAlert was stronger at ASP services for other companies, Buongiorno! had superior marketing know how, MyAlert was far superior from a technology standpoint, Buongiorno! was a clear leader in Italy, MyAlert was the reference company in Spain, in the rest of Europe both companies were holding comparable market positions.

The new management team, led by Mauro del Río, Founder and top executive of Buongiorno!, as its President and Jorge Mata as its Vice-President, made a positive effort to keep and reinforce the best assets of each company. In this new scheme it becomes key the new CEO of the combined entity, Andrea Casalini, 40 years old, with a longstanding management experience, brought from EDS, where he held the position of CEO for Italy and E-Solutions Europe. The resulting company’s Board of Directors is rounded up by senior executives with relevant experience and proven track, two or three generations older than the management team.

This new dynamics lead to a positive outcome: one year later, in mid 2002, BuonGiorno! MyAlert, while reaching 34 million subscribers, meets the main target of the merger and achieves the first positive EBITDA in the company’s history.

THE MOBILE DATA SERVICES MARKET IN EUROPE

Both MyAlert and Buongiorno! grew in the midst of the two main business driving forces in the turn of the 20th Century: the combination of the development of mobile telephony as a new mass communication channel and Internet as a universal information network. The sum of these two trends changing the “technology meets user” experience create a new opportunity space, which the newly merged company pursues to lead.

The mobile telephony market develops in an accelerated way during the 1990s. Initially conceived as an alternative to traditional fixed telephony, this new technology actually increased to total usage of telephony in a substantial way, creating a market of its own. Even when the initial marketing was mainly targeted to corporate users, it soon started achieving a substantial penetration within individuals and becoming a mass market. In 2002 the total number of mobile telephone handsets worldwide was estimated at no less than 700 million. In Europe this market
exceeded 300 million users, surpassing the number of fixed telephony handsets in several countries.

This development could be achieved not only for the advantages brought out by mobility as compared to the traditional fixed telephony, but also because of a great marketing aggressiveness by the key players in this market (telecom operators and hardware and network manufacturers). In Europe it was key the common adoption of a shared digital standard, GSM, since 1992. This allowed to achieve a fast market penetration and a substantial acceleration in its innovation curve as a result of the creation of a sizable pan European market. This scale eased a parallel development of new functionalities and handset designs, on one side, and price cuts, on the other side, which speeded up the market growth, additionally fostered by aggressive marketing offers from the telecom operators, such as subsidizing the cost of the handsets to accelerate new customer acquisition. Its outcome was an spectacular growth, with relative rates exceeding a yearly 60% in most cases, further propelled by the entry of new operators (Annex V). As an example, in Spain there were less than a million users in 1995. In 1998 they had become 7 million. In 1999, after the entry of the third telecom operator (Amena) in the market they became 15 million, which became 23 million in 2000 and more than 33 in 2002.

A parallel development was the birth and consolidation of Internet as an universal network for communication and access to information and services. The key date was 1995, when the “World Wide Web” starts becoming commonplace and the “browser” is launched as the interface to navigate through it in a friendly way. Internet becomes “the accidental superhighway” (The Economist) and allows the launching of new businesses —many companies emerge to use it as the channel to sell products and offer contents and services. Its interactivity and universal access, together with the multiple offerings developed at this stage, provokes an accelerated development of the Internet user base, first in the USA –where PC penetration was higher- and thereafter in the rest of the world. In September 2002, worldwide total users according to the Internet Advertising Bureau almost reached 600 million. Geographical split was 186 million in Europe, 183 million in the USA and Canada and 168 in Asia.

The fast development of both technologies over this period does not only revolutionize the worldwide economy but also change dramatically global society, altering multiple social usages and conventions, as many people over the world use these two technologies on a daily basis to communicate and access multiple services. Its penetration, reaching levels comparable to TV in such a short period, is its best proof (Annex VI). New business sectors and huge corporations rise taking advantage of this phenomenon. However, an excess in expectations not satisfied ends up leading to a dramatic financial crisis which means the end for many of the businesses created in this environment. It did not mean a stop, though, in the sustained growth of its user base and the new launching of products and services.

THE MOBILE DATA AND VALUE ADDED SERVICES MARKETS IN 2002

By “mobile data services” we are referring to the delivery of information messages —as opposed to voice messages— based on data protocols through the mobile telecom networks. Two distinctive businesses may be comprised within this category: the delivery of messages from one user to another (“peer-to-peer” or “P2P”) and the value added services provided by a third party (“value added services”). Although both use the same technology platforms and communication networks, they are different businesses involving significant changes in terms of industry players and value split. While P2P services are most of the times a simple communication service provided by the mobile telecom operator, value added services allow the users access to every sort of digital alerts supplied by content and service providers, in a similar way to Internet browsing. In this last case is where the need arises for players like Buongiorno! MyAlert.

The mobile data services business started almost by chance. Taking advantage of the SMS (“Short Messagging Service”) standard technology, mobile hardware manufacturers and service operators included in the handsets a special feature to send short text messages using the phone keyboard
to generate letters. Although telecom operators had just added it as an extra option, its enthusiastic usage by the youngest mobile customers—which stand for 45% of the 350 million European mobile users—made them realize a new and sizable revenue model.

A large pool of products and services may be included within the value added services category: Initially most were data messages based on previous user request, such as text information about sport scores or stock quotes, but since 2001 new services were introduced, such as voting for TV program quizzes, downloading ring tones and logos to personalize the mobile phone screen or “chatting” with other users through specially designed services. Within this category could also be included the mobile portal navigation, which was intended to be achieved taking advantage of WAP protocol.

However, telecom operators do not usually make public this sort of split by service type for its traffic and revenue data. The term “SMS” is usually coined to refer to the mere P2P service, even though it is the technology under which all these services are built on. Its fast development has taken, according to the consultancy Analysis, to a total turnover of 14.00 million euros for the whole European market, implying a 13.6% slice of the total mobile telecom market (both voice and data services). This translates into more than 10.000 million monthly text messages at an European level, implying an average of 35 text messages a month per user.

The most impressive aspect of mobile data market is its growth rate. As an example, these services took a share of 11% of Vodafone’s total turnover in the second quarter of 2002, which had already risen to 13% for the third quarter of that year. The company expected this share to become 20% of total revenue in 2002, consistently with more mature markets, such as Japan. Telefónica Móviles, already exceeding the 15% share, expected text messages to become 30% of its total turnover by 2005. This is startling if we take into account that in 2000 the mobile data revenues were just 4% of the total mobile telephony market in some of the most advanced markets now, such as Spain.

Most of 2002 mobile data service revenues were yet coming from P2P services, though value added services were increasing its share. Within value added services, new significant sub sectors were given birth and grew, such as mobile gaming, estimated in around 500 million euros in Europe by Frost and Sullivan, or ring tones’ downloading, estimated in 1.500 million euros in Europe by Strand Consult. This last consultancy, Strand, estimated the total European average share of mobile data services on total industry revenues nearing 14% of total ARPU (Average Revenue Per User) for each operator in 2002. Its breakdown was yet very geared towards P2P text messages, taking up to 12% of total ARPU, while third party value added services could be estimated in 1-2%. However, expected growth trend favors a much higher relative increase of value added services, which will exceed the P2P messages share in 2005 according to Strand: In that year, data mobile services will account for 33% of total ARPU, from which 17% will come from value added services.

**EXPECTED EVOLUTION OF THE MOBILE DATA SERVICES MARKET**

But... Which new products and services were going to enable such a spectacular increase in sales? After the SMS boom, the mobile telephony market main agents (mobile telecom operators and hardware manufacturers) focused on data services as a core piece of their business targets. Nonetheless, because of the limitations of the however successful SMS text messages, they pushed hard for the development of new technological platforms which could allow a broader range of features to guarantee the future growth of this revenue line.

As early as 2000 the mobile telecom industry started to pursue the foundations for a so-called “Mobile Internet”, at a time when short text messages had already proven its good market acceptance. The underlying idea behind the “Mobile Internet” differed from the proven SMS alerts model: Instead of following the pattern of one-way messages or alerts, similar to e-mail, the new model would work in a similar way to the World Wide Web navigation, based on the development
of mobile portals which would offer a similar browsing experience translated to the mobile phone screen interface. However, this concept did not take off then and its future development is yet a question mark: first, because of the failure of the WAP protocol as the standard for mobile data navigation, as it was unable to provide an appealing enough user experience (too slow, with unappealing presentation and lacking attractive contents and services); thereafter, because of the continuous postponement and the anticipated deflation of the high expectations once built around the so called “Third Generation” in Mobile Telephony (from now on, “3G”).

But there were also good reasons to expect a significant growth in the mobile data services market, fuelled by new and better services. On one side, the example set by the successful Japanese experience based on i-Mode, an alternative technology allowing basic services such as weather forecasts and daily horoscopes and advanced messaging features such as enhanced e-mail and image delivery through attractive color screens. On the other side, the successful development in Europe of extremely simple services with mass consumer appeal based on the already available technological platforms, such as the downloading of ring tones and logos to personalize the handset screen and the sale of mobile gaming applications.

From a technological standpoint, it was necessary to develop new technologies with faster and higher data transmission capabilities to enable a substantial increase in the number of mobile services provided. In Europe the path defined by the industry and national governments was based on the launching of a new digital standard which could take over and repeat the successful story built around GSM as a shared pan European standard. This was the basis for defining the “UMTS” technology as the 3G solution which would enable the development of a broad range of broadband services and applications. However, this development process became much slower than initially scheduled. In the meantime, the industry could keep on milking GSM or take advantage of other transitional technologies (2,5G), such as HSCSD (High Speed Circuit Switched Data), which works at 56Kbps and only requires software updates, GPRS (“General Packet Radio Service”), which works up to 115Kbps but require hardware routers within the network, or EDGE (Enhanced Data rates for GSM Evolution), closer to 3G, able to reach 384Kbps (Annex VII). Furthermore, network equipment and handset manufacturers were facing serious difficulties to develop in scheduled time the costly new hardware to put in place the new UMTS mobile networks infrastructure.

At this very moment the industry launches the new “MMS” messages (“Multimedia Messaging Service”), which innovate and improve P2P applications (enhanced e-mail, image delivery, postcards, greetings, audio and video delivery, message forwarding, enriched text...), browsing and downloading applications (news and information; entertainment such as horoscopes, music, comic strips, adult entertainment; games; marketing...) and massive participation applications (voting, quizzes...). Telecom operators and hardware manufacturers expect with this launching a new increase in the usage level of its customers, leading to a similar success to that of SMS, as this new message formats require new handsets and a higher bandwidth network infrastructure. The hardware makers, who had played a major role in making an attractive consumer product out of the mobile handset, diversify their product range by launching a broad number of models appealing to every sort of user: camera phones, phones which allow music downloading, phones with a TV, personal organizer phones, handsets geared towards gaming...

This phenomenon also reflects the absolute need for the industry to keep its high growth rate on the basis of handset renewal and additional features. Analysis, a consultancy, estimates a progressive adoption of these new models until reaching the 278 million of Europeans with GPRS handsets mark in 2007. This would imply a total mobile data services market of 45.000 million euros (33% of the expected mobile telephony market, therefore a very relevant chunk of the sector’s expected growth). NTT DoCoMo managed to bring to the Japanese market 3 million of camera phones in six months. However, other estimates were more conservative, such as Paul Jackson, an analyst at Forrester Research: “Mobile phones have reached saturation point in Europe. Today, 72 per cent of Europeans aged 16 or older - more than 190m consumers - own and use a mobile phone. As the price of mobile calls continues to fall, SMS is the only true non-voice service that consumers are willing to pay for today. While ownership of WAP-enabled phones increased to 23 per cent this year, only 3 per cent of mobile users use WAP. To cap operators’
misery, only 24 per cent of mobile users say that they would be willing to pay for any mobile application via their mobile phones. Despite low consumer interest in added phone functionality, operators and handset manufacturers are committed to adding more new functions and services in the hope that something will stick and become the next mobile generation’s must-have application”.

**MAIN INDUSTRY PLAYERS**

To make a data mobile service work, it is necessary the participation of different players. In this context, Mauro del Río defines Buongiorno! MyAlert’s position as an specialist or “pure player” in the production of value added services and therefore the integrator of the other agents participating in the service assembling. These other agents belong to huge sectors, which may be grouped in 4 areas: mobile telephony operators; technological infrastructure providers –hardware, software and services; media; and interactive media (Annex VIII). The value added services’ specialized providers are an additional player, much smaller in size but with a high potential, as they swiftly combine product development efforts and involve the other, more mature groups.

Companies in this space may be commonly characterized by having identified a growing market niche and as a consequence launched their services, either directly to end users (for example, downloading of ring tones and logos), either through the development of tailored solutions for the other type of players involved: telecom operators and infrastructure providers (for example, development of information services customized to their customers), mass media (for example, voting services to interact in a TV program) and interactive media (for example, mobile versions of their offering or extensions for their internet offerings). Another important chunk of their business comes from the design and operation of mobile marketing actions for corporate customers (for example, advertising and direct marketing campaigns).

This industry group is however heterogeneous and comprised by very different company profiles, both in terms of lines of business (some companies are just specialized in ring tones, logos and TV voting, some other are mobile marketing specialists, some other cover the whole spectrum of services) and in their background and business approach (some companies have strong technological foundations and capabilities, while other come from the advertising and consumer goods field). However, some common attributes may be sorted out:

- They do not need a mobile telecom operator license to operate, as they have agreements with the network providers to operate through their networks.
- Although using technology is an important part of their business, they may have their own research and development and operations or they may outsource one or both. It is actually possible to provide this service outsourcing its actual operation.
- They may manage both their own and third parties’ contents and services to put into place an important number of these services.

The number of companies in this scene is quite high. This is due to how easy has become the access to the necessary technology once the market has exploded. Its usage has stopped being a barrier to compete and has become accessible through different providers. Particularly after the boom in consumer services (voting, ring tones, logos, greetings...) the market has been flooded by a bunch of new competitors, small companies with simple financial structures and minimal resources which target niche positions and seek short term profitability (by means of strong advertising push, low investment levels and low cost structures).

However, top players are fairly concentrated. For instance, in the Spanish market around 80% of the total SMS traffic is split among 5 or 6 companies, despite the fact that there are more than 40 companies exceeding a minimum size. Together with the sector pioneers, which grew on the basis of their technological capabilities, new leaders with strong product design and marketing capabilities have grown aggressively.
Despite its pan European development, this market yet remains highly local in each of the countries. Top positions are usually taken by companies tied to the top local telecom operators and media and by “early movers” within that country.

At an European level, relevant companies may be comprised in 4 groups:

- International companies with a relevant position in several European countries, covering a broad range of services supported by sound technological foundations, such as Buongiorno! MyAlert, UCP or iTouch.
- International companies with a presence in several European countries, focused on a single product line, such as GSMBox or KiWee for consumer services, or 12Snap for advertising and business services.
- Relevant companies for a single market, such as MoviListo in España and AcoTel in Italy.
- Companies tied to the main players in the most related business sectors, such as Vizzavi (Vodafone), T-Motion (DT) or Terra Mobile (Telefónica).

Detailed sector information is not publicly available, because of the yet emerging size of most of these companies and the fact that almost any of them is publicly quoted. For instance, in Spain only Buongiorno! MyAlert and MoviListo, its leaders, provided turnover figures for 2001-10 and 9,5 million euros, respectively, targeted to grow twofold over 2002.

In brief, their potential business would depend on two variables: which share they may capture from mobile operators’ total revenue and which marketing budget would their customers channel through them. Regarding the first variable, telecom operators keep a share of revenues while the rest is split among the other agents involved in the production of the service (content providers, associated TV programs, etc.). In Spain and Italy the share kept by telecom operators is usually 50%, however in Japan DoCoMo is only charging 9% for the same concept in i-Mode services. Regarding the second variable, mobile marketing was achieving outstanding results. Several surveys stressed this trend, pointing out response rates by more than 70% and higher brand building impact than TV, Internet and radio. Growth expectations vis a vis other media were reasonably high.

Value added service providers seemed to have placed themselves in a high growth hot spot. The Economist Intelligence Unit emphasized: “Those companies that will survive and thrive are those who exploit today’s technologies and successfully drive the transition from voice services to deliver other applications that consumers will pay for: some of the world’s most innovative and exciting entrepreneurial businesses...”. And the report added: “...at the leading edge of wireless development is Buongiorno! MyAlert, entrepreneur-led businesses at the forefront of the international wireless sector”.

**PRODUCT PORTFOLIO AND BUSINESS MODEL**

Buongiorno! MyAlert’s product and service portfolio after the merger was created by the sum of both businesses: on one side, the technology and mobile marketing services provided by MyAlert; on the other, the interactive marketing services provided by Buongiorno!, still very heavily reliant on its internet newsletter business. During the first year after the merger, this product portfolio was significantly impacted by the emergence of a new product: the so called “consumer services” such as TV program voting or the downloading of ring tones and logos, in which the service was paid by the end user. This led the company into a business model based on three revenue lines: advertising services, business services and consumer services.
One year after the merger, the company went one step forward and further simplified its strategy into two business lines, depending if revenues were generated by a corporate customer ("business services", also comprising advertising services now) or by the end user ("consumer services"). This was a consequence of the push of the new consumer services business line, the progressive evolution of advertising services into tailored projects and the internal reorganization of purely technological services in a new and separate business unit (B! Digital Technologies). While in the first half of 2001 more than three fourths of the company revenues came from advertising services while consumer services were negligible, for the same period of 2002 total advertising revenues had fallen in absolute terms while consumer services already comprised almost a fourth of the company’s revenues (Annex IX).

**BUSINESS SERVICES**

This business line comprises all services sold to corporate customers. Services include advertising services, interactive marketing and communication campaigns and custom made applications to allow customer companies to perform these services. In this respect, Buongiorno! MyAlert may offer its corporate customers a broad portfolio of solutions: not only marketing actions to the users of Buongiorno! MyAlert’s content offerings (for example, advertising on Buongiorno! e-mail newsletters and opt-in services) but also deployment of its technology platforms and tools in an ASP model at the client premises for its corporate use by the client (for example, allowing the main Internet portals to develop its own marketing offerings to advertisers based on these solutions).

In the beginning, marketing services offered by Buongiorno! MyAlert were mainly e-mail newsletters and mobile alerts’ sponsorship, customized delivery of SMS messages and opt-in advertising information messages. The company could benefit to do so from its more than 34 million subscribers database and its personalization and CRM tools which allowed segmentation and campaign hit rates higher to those achieved through traditional media. This business was based on volume, offering to its customers a number of marketing impacts through these channels, however enriched by in depth market discrimination tools and detailed tracking data.

At a later time, Buongiorno! MyAlert expands its offering with other marketing services, less dependent on advertising contacts, more geared towards broader objectives such as brand building and customer retention and loyalty. These services include interactive games, direct promotions, SMS and e-mail campaigns and even interactive market surveys. This product range expansion allows the company a higher diversification and depth of its services and revenues. It also helps in developing a new type of customer relationship and business model: the so-called “Digital Marketing Project”, more attractive in terms of margins and project size. These are consulting-like projects billed in a similar way to traditional advertising agencies, in which the creative design and conception of the project is a significant ingredient in the mix. For this reason these projects may pose very attractive margins, as its development is largely supported on the sunk investment already made by Buongiorno! MyAlert in putting the necessary infrastructure into place.

Some of Buongiorno! MyAlert’s customers in this category include Johnson and Johnson, BMW and the English Premier League. A good sample of a digital marketing project are mobile trivia games, such as the Head & Shoulders campaign in association with the movie Men in Black, giving the chance to win a Smart car prize to those sending messages to the 5556. (Annex X).

The other significant business services category was the provision of infrastructure and technology services. The most commonly offered service in this group was providing corporate customers with Buongiorno! MyAlert’s technology and CRM, e-mail marketing and SMS delivery tools through hosting and ASP (“Application Service Provider”) agreements. Revenues from this product were quite relevant. Other technological services, such as the license of the company’s platform and applications and the development of customized solutions on top of them, are put together under the accountability of a new and distinct business unit, B! Digital Technologies.
CONSUMER SERVICES

Consumer services are those paid by the end user, as its mobile telecom operator bills him or her for the call he dialed. Buongiorno! MyAlert entered this product line with a full suite of services: interactive games and voting, downloading of ring tones and logos, greetings, voice postcards, and P2P communication services such as SMS based chats. The company is actively investing in the development of new applications such as MMS supported games and greetings or group messages (Annex XI).

Its business model is based on the revenue split of the price paid by the end user. To access these services, the mobile telecom operator will charge each user according to a previously set price (for instance, in Spain it usually is in the 0,3-0,9 euros range). This total revenue is broken down between the mobile telecom operator, the content provider and the service aggregator or value added service provider. Mobile operators retain 50% of revenues and leave the rest for the other players. If the product were fully developed and managed by Buongiorno! MyAlert, it could keep the whole 50% for itself. In any other case, the breakdown will depend on the specific agreement reached with other partners and providers involved in the service development. The consulting company KPMG made an aggregate estimate for this split of 50% for the telecom operator, 12% for the content provider and 38% for the value added service provider.

Buongiorno! MyAlert’s experience is largely agreement specific. So it is each service’s profitability. In services tightly related to TV programs, such as voting messages or voice greetings with "the latest star from the reality show Operación Triunfo", the TV show has a strong bargaining position and may demand up to 45% of total revenue. However, the program itself becomes the mass advertising vehicle and eliminates any risk as no promotional investment is necessary. In those services fully developed and marketed by Buongiorno! MyAlert, such as the SMS chat 'Nos Vemos!', all 50% is kept by the company, but it must face advertising expenses on its own. In between there is a broad set of examples, such as the downloading of ring tones and logos, where most profit is captured by the service provider, but there may be a copyright charge.

However, there are multiple billing options. “Push” messages are those in which the end user receives a message because he belongs to a marketing list and/or is targeted through a campaign –he will only pay if he has pre-agreed to and there is not an sponsor instead. But most consumer services are delivered through “pull-push” messages, those in which the end user has to call to request an specific service (such as a ring tone) and he is billed for that call, where the charge also includes the return data message in which the service is delivered. Prices differ depending on the specific service. Voice services (voice postcards, birthday greetings using celebrities’ voices) usually charge higher prices as users perceive a higher value. More mature and competitive offerings, such as the downloading of ring tones and logos, are usually cheaper. With the introduction of the new MMS supported services, the range of opportunities gets multiplied.

ORGANIZATION STRUCTURE AND OPERATIONS

ORGANIZATION STRUCTURE

After the merger a new organizational structure was defined by which the new CEO, Andrea Casalini, exerted operational leadership over the whole Group. This scheme was hierarchically supported on geographical markets rather than product units, at the same time that created several central shared support units (Annex XII).

Buongiorno! MyAlert’s international structure was defined along the lines of both companies’ already existing country units: Italy, Spain, France, United Kingdom and Germany/ Austria. Each local branch was run by a Country Director leading a team, mainly comprised by sales managers. As an exception Italy was structured in two different units, one per product line.
Country business units are supported by centralized staff units at the new Italian headquarters. Two types of staff units may be differentiated. On one side, purely corporate departments such as Administration, Human Resources, Finance and Corporate Finance and Acquisitions. On the other side, the mostly operational IT, Content Development and CRM departments, which give support to the sales force in starting up and developing new products and services for the company.

The Information Technology (IT) unit is a team of engineers based in Italy able to develop specific solutions required by the business units at any time. For instance, if it is necessary to design a new game or enable a new logo for downloading, the project manager would make a request to IT and this unit would make it work within the technological platform to make it available for its users. This area is also in charge of the management and administration of B!3A, the original Buongiorno!’s technological platform.

Content Development is accountable for negotiating and managing third party content licensing terms, from exclusive contracting to revenue splitting and fee payments. This unit is also in charge of the development of Buongiorno! MyAlert’s own proprietary content.

The CRM (“Customer Relationship Management”) unit helps the business unit in the development of services related to the personalization of advertising and marketing campaigns, both in e-mail and mobile message formats.

Finally, B! Digital Technologies was created in the first half of 2002 as a separate business unit to provide software application licenses and technological services to corporate customers, based on MAGO technological platform.

NEW PRODUCT DEVELOPMENT AND LAUNCHING

The launching and set up of a new service by Buongiorno! MyAlert is highly centralized in a pivotal role within the organization: the sales managers or business development managers. Since the new organization was set up, they are not only accountable for their sales quota and their client portfolio relationships, but also for the right operational delivery of the service and the financial results obtained. In this way, their role evolves into that of “product managers”, where each of them is accountable for one or several products for a specific sectors or client groups.

In consumer services, the launching decision is made by each sales manager based on his client development efforts and his own assessment about market opportunities, within the strategic directions pointed out by the company’s top management. Once the new service has been defined, the IT team starts developing or customizing the necessary support systems to put it into place, based on Buongiorno! MyAlert’s proprietary platforms (MAGO and B!MA). Meanwhile, the Content Development team acquires or licenses the appropriate contents which could be required. In a parallel process, the service is added to the mobile operators’ network infrastructure. The sales manager also decides on the appropriate marketing investment if necessary and plans the campaign through all media (press, TV, Internet, radio...). To round up the circle, the sales manager is accountable for the profitability and final results of the service. Once the service is launched, since the first minute, an in-depth tracking of response levels is made and analyzed both in absolute and relative terms. This allows an immediate decision making and is a significant pool of improvement and new product ideas.

In business services, a similar process is followed. However, defining the sales opportunity and developing its blueprint are more complex activities requiring a much higher level of customization and more detailed development in a consulting-like business approach.

This process differs from MyAlert’s pre-merger product development methodology. In this case there was a clear distinction between the product development function and the launching of a new, specific service. The development of new products was centralized in the top management of the company, based on the ideas and products developed by the more than 100 engineers in
charge of MAGO and its supplementary applications, producing new ideas such as m-commerce or m-auction services. These technological solutions were also enhanced by features and content ideas developed by the Marketing department (for instance, defining specific alerts, such as the non smoking example). The deployment and operation of each service was performed by incorporating to the technological platform the new products defined by the Marketing department that were successfully marketed by the sales managers.

**BUONGIORNO! MY ALERT’S TECHNOLOGY**

"Buongiorno! MyAlert has two clearly distinguished technological platforms. On one side, MAGO, which is like a Jumbo jet: top of the line specifications, autonomy, security and highly advanced technology, but also very costly maintenance. On the other side, B!3A, which resembles a fighter aircraft: fast, swift and cheaper to maintain, but with a more limited range of features “.

Andrea Casalini, CEO of Buongiorno! MyAlert

As a result of its merger, Buongiorno! MyAlert found itself with two technological platforms with proven responsiveness in this business: the highly developed MAGO initially created by MyAlert and the effective B!3A which had successfully enabled Buongiorno! to deliver a plethora of e-mail bulletins to its many subscribers every morning.

**MAGO**

MyAlert starts developing MAGO in 1999 to enable its business objective: creating a technological platform which could allow creating and sending every type of highly personalized alerts to end users, through different channels (SMS, e-mail), through direct links with the telecom operators.

For that purpose, MAGO was structured around a core system supported on a personalization engine, several system management tools and client and end user interfaces and connectivity devices with the different networks (Annex XIII).

The “core system”, or personalization engine, provides a complex messaging infrastructure, able to send and receive messages to its users through multiple channels, and to provide and procure its lowest cost routing (or based on whatever criteria was defined), with guaranteed quality of service.

From the start, the system was conceived with a prospective vision to serve as the basis for future development. Its software architecture and platform was highly scalable, robust, and flexible.

Another guideline was the design of the system based on the compliance of industry standards which would allow its future growth and multiple user acceptance. Its architecture was structured around CORBA, an open object communications standard, which allows distributed software application storage in several servers. Software itself was coded in object oriented languages (J2EE, C++), JavaScript and XML/XSL. Its operating system is HP/UNIX and its primary data base Oracle Parallel Server RDBMS.

On top of this personalization engine, there comes the development of business rules. These rules pursue to obtain the maximum value from subscribers’ data bases through segmentation and content customization. For operating purposes, the system includes additional services, such as security (PKIs), commerce gateways, and information and event managers. Part of these applications and services are developed internally within MyAlert’s development team, while others are based on adapting third party developments.

The system includes management tools and interfaces purposely developed to allow customer companies an easy and convenient access to the system. Shortly after putting into place the initial
infrastructure and launching MyAlert.com, the original portal of alerts which started the business, the company management identified how useful its technology could become for other companies and developed a complementary ASP business model. An easy interface and system management was a must to reach this market. The company therefore developed easy to use and configure applications supported in a web interface. Application performance metrics and tracking tools based on usage statistics were also made available to increase the value for customers.

Regarding its end user interface, it was also developed in a web format through the portal of alerts, easily customizable to other customers.

Integrating the different communication channels with the end users is managed by the “delivery engine”, through own development gateways managing all delivery to the end users contact points: mobile networks (SMS, WAP...), Internet, even an UMS system (Unified Messaging System) integrating fax, voice and e-mail, among other. Because of its international ambition, the system was design to support information delivery to mobile telephony users over all GSM, GPRS, TDMA and CDMA. The company developed its own virtual network to link with mobile operators’ message centers. According to Nomura, this allowed the company higher punctuality and lower messaging cost, while opened the opportunity for additional revenue coming from SMS brokerage between operators. This network was therefore “a competitive advantage and barrier to entry for any competitor trying to reach end users by means of data messages”.

On top of that, MyAlert developed over its platform vertical business applications for its customers in sectors such as travel, finance or telecom, allowing them to distribute highly customized product and service offerings, with interfaces better adapted to their specific business needs.

In September 2001 MyAlert had a R+D team comprised by more than 100 engineers leading advanced research in fields such as SMS, WAP, GSM, CDMA, GPRS, UMTS, positioning services, video streaming, voice applications, CRM, personalization and vertical applications. Moreover, because of the fine welcoming its technology was receiving among users, and taking advantage of its compliance of industry standards, the company goes one step beyond and starts moving towards the “packaging” of its technological platform into a software license agreement for its usage by third parties. With this purpose, the technology team is further strengthened with the hiring of Burton Katz, Jonathan Katz and Tom Albertson, seasoned executives coming from PriceWaterhouseCoopers and SchlumbergerSema, with deep experience in this sort of processes and large scale software implementations.

BUONGIORNO! AND THE MERGER

After the merger the resulting company finds itself with two distinct and independent technological platforms: B13A, which had originally been created to manage very large Internet end user communities, and MAGO, more geared toward the management of wireless users communities. At merger time, these platforms are able to process more than 250 million monthly e-mails and 2.000 SMS per second, respectively.

B13A had been created with the single objective of enabling the massive delivery of advertising supported e-mail messages. In the beginning this meant supporting the delivery of Buongiorno! branded daily bulletins, which reached up to an 80% penetration within the Italian market. Afterwards, delivery through this platform was also offered to corporate customers via ASP services. It was actually claimed that wherever there was a PC in Italy, there was a BuonGiorno! newsletter.

B13A was a simpler platform, based on the Linux open source operating system and developed on Java, built with the purpose of achieving the required performance at minimal cost, rather than as a milestone of a comprehensive plan for a future development. For this reason B13A had its own application server, and could not easily work with other standards, which made impossible its license to third parties (Annex XIV).
Regarding the *internal application*, performance was the main driver, as it should manage a high number of subscribers and therefore e-mail messages to be delivered (in late 2002 the company servers delivered up to 400 million monthly messages by sending their different newsletters to its 34 million subscribers). This activity also implied demanding requirements in terms of scalability, to be able to cope with continuous increases in traffic volumes, and flexibility, because of the seasonality in the required activity, with peak operation highs. Therefore the must for BuonGiorno! was having a technology which could easily operate in a extremely short time, rather than a safer and sounder solution implying costly development and maintenance.

As well as MAGO, special care in the development process was devoted to its various *user interfaces*. Its client driven interface design looks for user friendly and simple customer access points, based on a web format, accessible with an identifier and a password, without requiring software installation in each computer. The management tool allows multi-channel campaign management (wireless and e-mail) based on a single data base, with CRM capabilities and campaign reporting generation. More than 500 corporate customers used this tool to manage their e-mail bulletins and communications. For end users or subscribers, BuonGiorno!’s portal offered the option to choose among all content offerings (newsletters or “opt-in” direct marketing messages) to all internet users who had previously registered.

Resources devoted to B!3A were significantly lower in terms of human capital and investment to MAGO’s, but the company did not disregard constant updates and innovation in those elements bringing higher value for its customers and business.

After the merger, both platforms continued delivering those services originally developed on top of each one, while adding new services in each one, such as the new consumer services product suite. While B!3A took advantage of MAGO’s “delivery engine”, even with some module integration, it could generally be stated that both systems kept on carrying “independent lives”. Even for the same service, the technology platform used could be different if it was provided from Spain or Italy.

Buongiorno! My Alert simultaneously marketed both platforms to its corporate customers, in different sorts of agreement: license agreement, ASP business model or even customized developments to generate their own corporate platforms. This business was far more developed for MAGO, which also required more resources and maintenance effort. For B!3A these services were only offered in an ASP mode, because the platform was not compliant to industry standards and therefore could not be sold separately. Therefore customers for these services were managed through the internal IT team at Italy, which directly dealt with the technological platform.

This fact, associated to a very positive welcoming by leading mobile telecom operators to the opportunity of licensing MAGO, brought up a new business development idea for Buongiorno! My Alert’s top management: MAGO could become the starting point for a new separate business unit focused on software licensing and technological consulting. Even though the internal consumption made by the company was not enough to justify the platform’s high maintenance cost, its sale to external customers did not only allow its independent financial sustainability within the Group but even opened a chance to dream of higher goals.

**B! DIGITAL TECHNOLOGIES**

Subsequently, BuonGiorno! MyAlert established BuonGiorno! Digital Technologies, or B! Digital Technologies, as a distinct, P & L focused business unit, expected to break even since its birth. Born “responsible for commercializing, developing and licensing digital marketing, wireless messaging and mobile infotainment applications to the telecom and media & entertainment markets”, it brings together some of the Group’s business services, such as software licensing and technological consulting, and the R&D efforts developed around MAGO.
The new unit is born under the leadership of a seasoned international management team (led by the Katz brothers and Tom Albertson), a technical team comprised of 40 engineers (more than half based in Bulgaria), sales headquarters in London and operating center in Madrid, an interesting customer portfolio (such as Hutchison 3G or the Chinese Government) and an attractive pipeline of new business leads.

**B! DIGITAL TECHNOLOGIES BUSINESS AND PRODUCT PORTFOLIO**

The company's business is based in the software license of the MobileCast Messaging technological platform, which is the new commercial name for the latest evolution of MAGO. B! Digital Technologies product offering provides one of the most developed end-to-end multimedia messaging management platforms for telecom operators, service providers or multimedia companies expanding its activity to the wireless channel (Annex XV).

MobileCast is modular and compliant with various standards. This allows its right functioning in diverse client situations: within proprietary applications, with pre-configured basic services and gateways; but also allowing the client to develop his own applications and to use it as a shared platform with other providers. Its modular architecture also allows the customer to take advantage from previous IT investment decisions. Its flexibility allows working under disparate business needs, working with own or third party services, developing user specific individual interfaces, enabling services providers to deliver information in multiple content formats across all channels and networks, and allowing a complete customization by the end user. This enables service providers to develop highly attractive services while maintaining the flexibility and control to package and target them to unique segments of the subscriber base.

For licensing purposes, B! Digital Technologies maintains and updates MobileCast’s “core system” or “personalization engine”, while adding an API allowing its modification by their clients for new developments and interfaces with their back-end systems (billing, CRM, provisioning...). Besides, the system includes administration utilities for service configuration (which may be accessed via web or windows interfaces) and control and analysis tools.

The “delivery engine” remains one of the system’s strongest features, enabling to reliably deliver information to each user in multiple content formats across all channels, both wireless networks (SMS, MMS, GPRS, 3G) and Internet. Because of its compliance to industry standards, the platform enables incorporating new business needs and eases its evolution according to potential technological transition issues. This tool also allows managing “pull-push” services, not only delivering but also receiving inbound messages and end user requests.

In fact, MobileCast’s core customer is Hutchison 3G. This leading wireless operator has selected B! Digital Technologies’ platform to launch its 3G alert and messaging services in 7 countries. Taking advantage of MobileCast, this customer expects reaping significant benefits as compared to its own proprietary software development: lower cost, higher flexibility in defining and evolving their business model, and an easier access to new revenue sources by deploying third party contents and services over this platform.

B! Digital Technologies also licenses the different applications developed on top of this platform, which may operate on top of MobileCast, but also with other compatible developments. For that purpose, the company has packaged some of the already developed information and entertainment interactive multimedia services under the MobileCast Infotainment name. These services include more than 600 content pieces in several languages, such as alert and entertainment services, ranging from horoscopes or weather information to interactive games, communication services like SMS storage at the end user’s personal web page or the creation and delivery of mobile postcards via MMS. By means of a robust “software development kit” the platform also includes tools, services and consulting for application development by the customer. This set of applications allows B! Digital Technologies’ corporate customers to increase its ARPU and reduce churn. A good customer sample is Hellas Online, Greece's number two ISP, which has
licensed both MobileCast and a broad amount of Infotainment applications, enabling them to offer in its home market a set of services perfectly comparable to those currently offered in Spain and Italy by Buongiorno! MyAlert.

Another distinctive application on top of MobileCast is DigiCast Direct, an integrated wireless and e-mail marketing campaign management tool. DigiCast enables a detailed follow up of end customers, while provides extra features for new customer acquisition, client retention, brand promotion, product sales, customer relationship management and corporate communications. It operates across multiple channels including wireless, e-mail, and IVR. The platform enables easily to plan, create, test, deliver, and track digital marketing services, ranging from recurring newsletters to specific advertising campaigns. This development is based on adapting to MobileCast the successful ASP service provided on B!3A, taking advantage of its operation cumulated experience. In fact, this service is yet mostly marketed as a Buongiorno! MyAlert’s ASP service, with customers such as Terra Lycos. In this case, it serves their e-mail marketing needs, while enables adding a new interactive channel with its subscribers (wireless) at a very low cost and high performance.

A second line of business for B! Digital Technologies are technological consulting professional services, not only to MobileCast customers, but also in other integration and development areas within the company’s expertise. For instance, thanks to the Group’s know how, this business unit has been able to create an intelligent traffic system for the Chinese Government, enabling to alert authorities, traffic signs and drivers on congestion and routes. This assignment required consulting on message routing and delivery, custom adaptation and integration of Mobilecast Processing Engine, international workgroups for training and launching and comprehensive analysis and testing phases.

**R+D EFFORT**

B! Digital Technologies has a continued development effort towards MobileCast with the primary objective of meeting their customer needs and keep the platform in a market leading position. A 2002 MediaMetrix report sorted out the business unit as a “savior of 3G”.

The formulated R+D goals of the company are to seamlessly enhance its core platform with new technologies, insulate clients from the rapidly changing market and consistently enable clients to deliver innovative services to end users. This is currently translated into specific efforts such as the deployment of new multimedia capabilities (development of 3G and GPRS service applications with technology partners, early “real world” development with pioneering client operators such as Hutchison), development of advanced functionalities in “pull-push” services and compatibility with international and industry standards.

At the end of 2002, B! Digital Technologies was already working as an autonomous business unit, with a positive profit and loss account and attractive growth prospects.

**FINANCIAL RESULTS**

In June 2002 Buongiorno! MyAlert was in the black for the first time. The company had already reached total revenues for the first half of the year for 18 million euros, compared with 30 million euros for the total of 2001. Forecast for Q4 were up to 16 million euro revenues and a positive EBITDA of 2,5 million euros. Therefore, for the end of 2002 the company was expecting a total turnover close to 45 million euros and a final EBITDA nearing break even. This meant a notable milestone for a company that only 2 years ago had losses exceeding its revenue level (*Annex XVI*).

These results were largely explained by a substantial growth in sales, fuelled by the company diversification both in terms of product line and markets. In product terms, the fast positioning of the company in the consumer services arena had allowed developing new business in the market
segment which was enjoying a more substantial growth in volume (Annex IX). In geographic terms, the business had grown in every market (Annex XVII).

This expansion had led the Group to a situation in which its three traditional business lines were reflecting direct positive results, while meeting collectively the base of fixed indirect costs for the organization as a whole—which, in any case, did not exceed 10% of the total yearly cost base. This had led the company to a positive cash flow position at the end of the year.

However, there was a higher disparity in results at the business unit level, partly because of the diverse level of development and leadership reached in each market. Italy and Spain had a consistent picture of consolidated positive results achieved by large teams (100 and 60 people, respectively) with a clear market leadership. Other markets were now starting to join this trend: much smaller teams (10 to 15 people per country) started to reap operating profits. B! Digital Technologies, integrated by a 40 people team, contributed positive results with approximately 10% of the Group’s revenues.

THE NEXT MILESTONE?

Once the break even point had been surpassed, the company was in need of defining what should be the next milestone in its history to consolidate its corporate project. Jorge Mata, loyal to its old imperative, thought how this could help the company’s investors, with whom he had already walked a long way together. Since he took over his new position as Group’s Vice Chairman, a substantial piece of his agenda was looking beyond. And the opportunity seemed again to be in taking a major role in the growth and consolidation of a sector which was quickly maturing—and now they had an extra engine: the company’s operational profitability.

Despite the public acknowledgements of their leadership within the sector, the strength of its management team, the positive results... he knew that words were easily gone with the wind and inertia is not a good advisor in a shifting environment. As Charles Darwin emphasized, if a being wants to survive in a shifting environment, it must evolve at least as fast as the medium itself. He had already seen many sparkling companies fall and fade by not complying with this premise.

In only three years he had gone from creating a company based in a business and technology intuition to belong to a major European Group, with activity in 7 countries and 3 different lines of business. However, his initial success in picking the right business opportunity had now bred the biggest challenge: the originally envisioned opportunity was so sizable that its leadership would be far more demanding. New competitors and battle fields popped up everywhere, from inside and outside the traditional sector players. In this context, what should be the vision that would enable Buongiorno! MyAlert to continue enjoying the sweet smell of success?
ANNEX I

ORGANIZATION CHART MYALERT - MAY 2000
ANNEX II

MYALERT WEBSITE - MAY 2000
ANNEX III

ADVERTISING FOR ADECCO/ MYALERT JOINT SERVICE
ANNEX IV

REGISTERED USERS’ EVOLUTION 1999-2000

CUSTOMER BASE EVOLUTION
Number of customers; Percentage

* Estimate based on number of visits by non-registered
Source: MyAlert Operations
ANNEX V

MOBILE PHONE SUBSCRIPTIONS AVERAGE ANNUAL GROWTH RATE
IN THE EU 1997-1999

Source: ESIS - ISPO
ANNEX VI

SPEED OF ADOPTION FOR MOBILE TELEPHONY AND INTERNET

NOTE: Acceptancy rate index defined as a percentage of total families and population.


'Convergencia de Servicios de Internet y Móviles', Juan Ignacio de la Fuente, Agosto 2002
ANNEX VII

EXPECTED EVOLUTION OF MOBILE TELEPHONY
DIGITAL STANDARDS

TECHNOLOGY ENABLERS

- **GSM**
  - 4 radio stations
  - Always on

- **HSCSD**
  - High speed circuit switched data

- **GPRS**
  - Global System for Mobile Communications

- **EDGE**
  - Enhanced Data Rates for GSM Evolution
  - Same modulation changes
  - Higher bandwidth

- **UMTS**
  - Universal Mobile Telecommunications System
  - Same modulation changes

- **WAP**
  - Wireless Application Protocol
  - Speed of data transmission (Kbit/s): 14.4

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<thead>
<tr>
<th>Speed of data transmission (Kbit/s)</th>
<th>57.6</th>
<th>171</th>
<th>384</th>
<th>2000</th>
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<td>Source: Lehman Brothers, 1999</td>
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# Annex VIII

**Players in the Mobile Data Services Market**

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<tr>
<th>Player</th>
<th>Characteristics</th>
<th>Sample Players</th>
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</thead>
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<tr>
<td>Mobile telephony operators</td>
<td>Own the network, provide voice and data telecommunication services</td>
<td>Vodafone, Telefónica Móviles, TIM, T-Mobile, SFR...</td>
</tr>
</tbody>
</table>
| Infrastructure providers | Produce and provide the necessary technological infrastructure and services (hardware, software, services) to enable telecom services and network intelligence leading the way to the provision of value added services. | Hardware: Nokia, Ericsson, Motorola, HP...
Software: Nokia, Microsoft, Oracle, Symbian, BEA Systems, CMG Logica...
Services: IBM, Accenture... |
| Media groups            | Produce content and entertainment which may be enhanced by mobile telephony enabled services | Vivendi, News Corporation, Bertelsmann, Endemol, PRISA, Mediaset               |
| Interactive media       | Produce interactive content and entertainment which may be enhanced by mobile telephony enabled services—mostly internet portals | Terra, Wanadoo, T-Online, Yahoo!, eBay, Amazon                                  |
Revenue per product line, 2Q 2001-2002 evolution, BIMA

- Advertising services
- Business Services
- Consumer Services
ANNEX X

DIGITAL MARKETING PROJECT SAMPLE

Champú SMS

Para potenciar su champú Head & Shoulders entre los más jóvenes, la empresa Procter & Gamble decidió apostar por una imaginativa campaña vía SMS. Esta consistió en dar a conocer el patrocinio por parte de HAS de la nueva película Men in Black II y a partir de ahí generar una relación interactiva con los consumidores, a través de un juego basado en el envío de SMS.

El concepto creativo de esta campaña de marketing nació de BIMyAlert. Esta agencia realizó una adaptación de la campaña a partir del spot televisivo creado por la agencia Saatchi & Saatchi, integrando un juego interactivo a través del móvil y por e-mail. Al final del spot televisivo se incorpora el anuncio de este juego interactivo bajo el concepto creativo de BIMyAlert.

La campaña se inició el 15 de agosto y terminó el 31 de octubre. El spot mostró imágenes impactantes de la película Men in Black II con una vez en off que, entre otras cosas, decía: “El negro es nuestro color. No dejamos rastro. Nuestro secreto mejor guardado: Head & Shoulders. Mantén a Los hombres de Negro, de negro.”

Impresos en la última imagen del anuncio se podía leer “Envía lo pañuelo fuido 52956. Juega y podrás ganar un Smart. Sólo en las primeras semanas se recibieron más de 10.000 mensajes.”
Annex XI

Consumer Services Sample

¡TOMONES VÁLIDOS PARA TODO LOS MÓVILES!
¡En un solo mensaje! en el 7788
Y ahora también puedes bajarle un tono o un logo a través de un SMS: Llama al 906 29 41 82 y sigue las instrucciones (cuesta máximo 0,55 €/min. IVA no incluido)

Enviá un mensaje al 7788 con: TMT - Marca móvil - Modelo móvil - Código tono o logo

Los TOP 5

Digno de Móvil - 365 123 456
Adelante móvil del día - 456 789 012
Bravo - 24 68 15 90
Canto móvil - 31 42 35 79
Llorando por tu móvil - 89 67 54 32

ESPECIAL FUTBOL

Himno Real Valladolid - Himno Real Villarreal - valle-villar: 90-90
Himno Real Societé - Real Sociedad - 90-90
Himno Real Madrid - Real Madrid - 90-90
Himno Real Celta - Celta de Vigo - Celta de Vigo: 90-90
Himno Real Betis - Real Betis - 90-90
Himno Real Barcino - FC Barcelona - Barça: 90-90
Himno Atletico de Bilbao - Athletic de Bilbao - Athletic: 90-90
Himno Real Alaves - Real Alaves - Alaves: 90-90


CINE Y TV

Los impecables PGC - Uxama o Naxal - Los impecables PGC 1 - Oferta: 9 de 100
Huck U - Lunes: 90-90
Huck U - Martes: 90-90
Huck U - Miércoles: 90-90
Huck U - Jueves: 90-90
Huck U - Viernes: 90-90
Huck U - Sábado: 90-90
Huck U - Domingo: 90-90

ANNEX XI
ANNEX XII

BUONGIORNO! MYALERT ORGANIZATION CHART - OCTOBER 2002
ANNEX XIII

MAGO
The MobileCast Personalization Engine is comprised of several "carrier grade" components that enable you to personalize real-time wireless services to end customers. This highly scalable engine enables you to deliver both information and...
ANNEX XVI

REVENUE AND EBITDA EVOLUTION 2000-2002 BIMA
ANEXO XVII

REVENUE BREAKDOWN PER COUNTRY - B!MA

Revenue per country, 2Q 2001-2002 evolution, B!MA

[Bar chart showing revenue breakdown per country for 2Q 2001 and 2Q 2002]

- Italy
- Spain
- International

[Chart image]