

The Right Message

Issue 7 July 2002, Business Today

When Messaging Technologies Sdn Bhd went to telecommunications companies in early 1999 with the Short Messaging System (SMS) it had developed, none of them wanted to listen.

But Messaging Technologies or Mtech did not give up. It kept knocking on the doors of the telcos, for days, weeks and months.

Ten months later, telcos were queuing up to sign up for the service. Persistence paid off for MTECH.

At a time when SMS was a relatively new communication concept in Malaysia, MTECH was undeterred in its effort to convince and educate businesses and end users of the advantages of using SMS and WAP (Wireless Application Protocol) services.

Today, MTECH is not only financially self-efficient but has begun to provide returns on the capital of investors.



"Five years down the road, we are confident that we can make a clean profit of about RM40-RM50 million out of our SMS services," MTECH General Manager Lester Neil Fancis told Business Today.

Fancis: MTECH's on the road to profits

MTECH's success story is an exceptional one in an increasingly grim local content marketplace.

With the backing of investors at AKN Capital, a subsidiary of main board company AKN Tech, MTECH was able to indulge in R&D, building of solid hardware and network infrastructures and developing products and services for mobile internet initiatives.

To position itself well in a competitive market, MTECH started to build a strong foundation of systems to capitalize on a range of SMS products and services to be able to woo telcos and network providers.

MTECH went about selling the idea of wanting to be a transporter or gateway to SMS messages from the SMS centers of telcos. That obviously didn't go down well with the telcos who were skeptical of the new idea.

"When we went out to approach telcos in 1999, the idea was unheard of by the telcos. But in order for telcos to provide SMS in a viable situation where everyone gets it in a timely and rapid manner, the idea was definitely a perfect solution," said Francis.

MTECH tried convincing the telcos and after 10 months succeeded in establishing agreements for direct connection between the MTECH system and the SMS centers of the telcos.

Maxis and Celcom became its customers in December 1999. The collaboration paved the way for the rest of the telcos to come on board as they were soon caught up with the idea. The sending of text messages to and from mobile phones among end-users picked up momentum in 2000.

It then became crucial for telcos to ensure instant delivery of messages, and MTECH was there to provide the solution. Francis said that when the SMS networks of telcos are congested, MTECH could reroute the messages to its Hong Kong and Singapore partners for speedy delivery, but at a higher cost.

The Gold Kacip@ Cut-Edge Awards 2002, an annual competition organized by Ericsson to encourage rapid creation and market deployment of mobile Internet applications to address the myriad needs of people, gave MTECH added impetus in its venture.

MTECH won the grand prize in the contest with its entry, eBuzz- a comprehensive SMS portal it had launched on March 15, 2000. The victory spoke volumes for the three-year-old startup.

Obviously the next strategy was to aggressively market the award-winning product. From the start, eBuzz was a sure dealmaker for MTECH. Almost all retail outlets and computer shops in town as well as corporate personalities use the eBuzz SMS service.

eBuzz is targeted at mobile phone users for a whole range of SMS and WAP services. For end-users, it's a subscriber-based product that costs between RM35 and RM70 depending on the number of credits. When a subscriber receives or sends an SMS alert, credits will be deducted. A reload of credits is available.

MTECH's eBuzz achieved tremendous growth in the corporate sector as businesses saw the need to interact with their customers to alert them on outstanding payments, announce upcoming promotions or reload prepaid credits via SMS. MTECH's impressive list of clients include giants from the banking, insurance, retail and investments sectors, such as HSBC, Hwang DBS, K&N Kenanga, HLA Assurance, CIMB and Genting Berhad.

The breakthrough for MTECH came with the HSBC project where the corporate SMS alerts to customers were a hit. The idea was duplicated in HSBC branches in Hong Kong and London.

Having the right business acumen, MTECH didn't put all its eggs in one basket. It went ahead with web-enabling its SMS services, created another source of revenue with mobile advertisements and interactive TV and launched smart partnerships with telcos.

The web-enabled SMS concept is common in radio stations where listeners are encouraged to send in SMS messages for song request, shoutouts for dedication and comments on topics of discussion.

Using mobile advertisements to churn revenue, MTECH rides on the database of users who have

consented to receive SMS advertising messages. It sells the database to advertisers.

For instance, when Virgin Cosmetics recently launched their new line of cosmetics products. MTECH was awarded the project to send SMS advertisements to girls and women aged between 18 and 22 years residing in the Cling Valley and Penang.

These people received SMS alerts announcing the Virgin Cosmetics launch and were offered a 20% reduction on Virgin's cosmetics products if they could flash downloaded coupons on their mobile phones at Virgin Cosmetics outlets.

MTECH's smart partnership with telcos is an interesting cash cow. Under the collaboration, MTECH provides content applications free to telcos to market. Revenues generated by the amount of downloaded content by end users are split between the telcos and MTECH. MTECH's work in this area with TMTouch and Celcom includes Mood Swingers and downloads of Star Wars ring tones and logos.

Without a doubt, going by what Francis said, MTECH will go all out to cash in on SMS while it is still a viable source of income. Of course, MTECH has to make that amount of money (RM40-50 million) in order to survive considering that its burn rate per month now is around RM200, 000.

MTECH will be riding on SMS to milk as much revenue as it can before SMS evolves. However, Francis foresees SMS to be around in the 3G era. Analysts do not view SMS as a killer application. SMS will definitely be around for a while as it is the only push application as compared to WAP and GPRS (General Packet Radio Service).

To boost its market share, MTECH is expanding to other areas as well, such as MMS (Multimedia Messaging Service), GPRS and 3G applications where it is working closely with Nokia and Ericsson, among other companies.

According to a source close to the industry, MTECH currently holds a strong stake and reputation in the industry.

With new operations in Hong Kong and the growing appetite for interactive SMS usage, MTECH is most likely to be smiling all the way to the bank.

QUICK FACTS:

MTECH was incorporated on May 6, 1999 as an SMS and WAP portal to develop products and provide enhanced services for the mobile wireless market. It claims to be the only corporation with a direct link with four major mobile networks in the country Maxis, Celcom, DiGi and TMTouch. It boasts of being able to send SMS to 175 different mobile networks worldwide.