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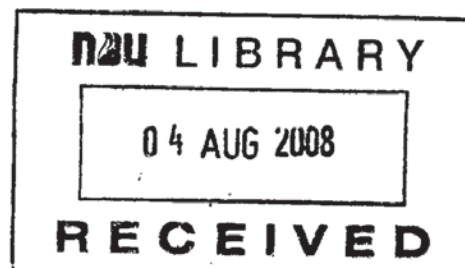## Graduate Division

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Bordeaux Business School
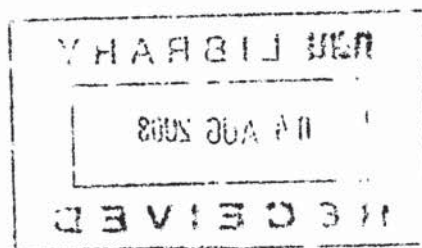## Institute of International Business

Expanding Retail Messaging at PowerMeMobile

A Thesis Submitted in Partial Fulfillment of the Requirements for the Joint Degree of the Master of Business Administration (M.B.A.) and the Master of Science in International Business (M.I.B.)

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Approval Certificate

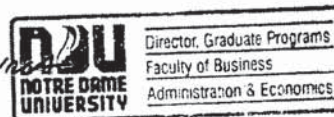# EXPANDING RETAIL MESSAGING AT POWERMEMOBILE

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DECLARATION

I hereby declare that this Thesis is entirely my own work and that it has not been submitted as an exercise for a degree at any other University.

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ABSTRACT

Established in 2001, PowerMeMobile, a mobile solution and service provider segmented its activity under three main divisions, Solutions, Value-Added Services (VAS) and Retail Messaging, commonly known as Bulk SMS business. In the past two years, PowerMeMobile focused on escalating its position as a key Solutions and VAS partner to mobile network operators. PowerMeMobile's flagship product is MessageManager, a platform designed for mobile operators to enable PC-to-Mobile messaging. This helped PowerMeMobile to gain lot of expertise and become recognized as a reliable solution provider and messaging partner.

While all the focus and resources going to Solutions and VAS divisions, PowerMeMobile's Retail Messaging business became quite neglected in terms of business and product development. However, the existing department structure has been able to maintain a good level of customer satisfaction and retention generating acceptable revenues, but without a significant growth; stagnation is also due to the tough political and economical circumstances the country is going thru since 2005.

Nevertheless, the potential laying in the messaging business, especially in the Middle East region is worth looking at. Along the economical boom in the MENA region, the demand to messaging application is growing and PowerMeMobile is a strong candidate to ride the messaging wave by expanding Retail Messaging and become a strong player in this field.

A qualitative and quantitative research methodology will indentify the steps to a proper internal restructuring plan coupled by an innovative approach to position and deploy messaging products. The expansion strategy consists of establishing domestic partnerships in regional countries, namely Egypt thru i2, a leading handsets distributor in the MENA region, who will find interest in a vertical diversification of his product line with a reliable partner.

In this study, we will examine scenarios of efficient market expansion, steps that should be taken internally and technically through a clear strategy to meet the global challenges and successfully position PowerMeMobile as a key retail messaging gateway in the region.

LIST OF TABLES

LIST OF FIGURES

ACKNOWLEDGMENTS

TABLE OF CONTENTS

Chapter.1. Introduction

This introductory chapter aims at giving the reader an understanding of the problem area and the specific problems that we are going to investigate more thoroughly. Delimitations and the structure of the thesis will be presented at the end of the chapter.

1.1 Background

PowerMeMobile is a leading Lebanese provider of mobile solutions and content for GSM network operators, Telcos and Mobile Entertainment portals. The company is headquartered in Lebanon with offices in Beirut, Abu Dhabi and Minsk.

PowerMeMobile is a dynamic and forward-thinking, value added services company, focused on increasing revenues across all areas of the global mobile data value chain.

Its business activities include global SMS services, mobile content and entertainment solutions, research and development, managed messaging services and mobile marketing platforms. PowerMeMobile is particularly active in the Corporate SMS market so called Retail Messaging, helping businesses become SMS enabled.

With its established reputation as a Value-Added Service (VAS) partner of most regional mobile operators PowerMeMobile has expanded its client portfolio to feature 25 operators in 20 countries across the Middle East and Africa namely Lebanon, Kuwait, Saudi Arabia, Algeria, UAE, Nigeria, Bahrain, Sudan, Benin, Oman, Ivory Coast, Yemen, Jordan, Armenia, Ivory Coast, Nigeria, Liberia, Sierra Leone and Guinea.

PowerMe Mobile is proud to have partnered with major international organizations to deliver the best products to its customers: AFP, Ericsson, Universal Music group, Materna GmbH.

PowerMeMobile was formed in 2001 as a privately held company. It is an affiliate of the leading Middle Eastern media group, An-Nahar, founded in 1933.

PowerMeMobile has mainly three divisions:
- Solutions developing platforms and applications for mobile operators.
- Value Added Services and Content providing news and entertainment services to mobile operators as well as end-users.
- Retail Messaging enabling businesses with PC-to-Mobile messaging applications.

By 2002, the core business of PowerMeMobile was Retail Messaging, acting under the name of its subsidiary Naharnet; It was the first to launch in the Lebanese market a client software – called SMS Manager, a successful application enabling end-users and corporates to go mobile seamlessly. As a first mover, PowerMeMobile occupied a prominent position as one of the Top local retail messaging provider. The competition was restricted to one company called El-barid. PowerMeMobile allocated a good deal of efforts and resources to proactively sell and market its retail messaging products.

By 2004, PowerMeMobile won its first tender to provide its messaging platform – now called MessageManager to the 2nd Kuwaiti mobile operator Wataniya Telecom. This was a turning point in PowerMeMobile's business. Evidently, this was a big opportunity for PowerMeMobile to develop a bigger messaging platform with more features, interfaces and power – the become a platform that could be sold and licensed to any other operator. Nowadays, MessageManager became a unique product that regional key mobile operators are opting for.

The focus turned to become providing the Messaging Platform itself to wealthy mobile operators, while retail messaging has been downgraded to lower levels in priority.

PowerMeMobile has now around 940 retail messaging customers, 95% of those are local with only 5% from countries like Jordan, Syria and Kuwait. However, the

volumes used by those international clients constitute around 50% of its monthly messaging traffic. This is an important indicator to the potential available regionally where 5% of the regional customers constitute 50% of the global messaging traffic.

Table 1: Messaging customers repartition

PMM Retail Messaging customers repartition		
Origin	% of clients	% of monthly SMS traffic
Local	95%	50%
Regional (Middle East)	5%	50%

(Source: PowerMeMobile)

1.2 Need for the Study

The intention of this study is to build the framework and foundations for PowerMeMobile to enlarge its international messaging client portfolio and expanding regionally. We choose the Egyptian market as a pilot to future expansion projects. This expansion needs fundamental restructuring of the retail messaging department infrastructure. This paper does not seek to recommend one solution; however several models for this purpose were studied and interpreted in addition to practical examples based on real case scenarios and experience were investigated to help smoothening the process.

1.3 Purpose

The first purpose of this thesis is to reboot the potential messaging department at PowerMeMobile, while proposing a development plan along the strategy to grow and compete globally. Secondly, this research intends to investigate if the internationalization models can be adapted and used nowadays during our expansion process, it also intends to Interview similar companies in the same field that already paved the way and expand to different countries.

Finally, the third aim is to highlight what are the critical issues and risks that need to be taken into consideration during the process of Internationalization.

1.4 Definitions

For you as a reader to be 'on the same page' as us, we here explain our own definitions of some of the concepts and terminologies used throughout this thesis.

SMS: SMS stands for Short Message Service. It is a technology that enables the sending and receiving of messages between mobile phones. SMS first appeared in Europe in 1992. It was included in the GSM (Global System for Mobile Communications) standards right at the beginning. Later it was ported to wireless technologies like CDMA and TDMA. The GSM and SMS standards were originally developed by ETSI. ETSI is the abbreviation for European Telecommunications Standards Institute. Now the 3GPP (Third Generation Partnership Project) is responsible for the development and maintenance of the GSM and SMS standards.

As suggested by the name "Short Message Service", the data that can be held by an SMS message is very limited. One SMS message can contain at most 140 bytes (1120 bits) of data, so one SMS message can contain up to:

160 characters if 7-bit character encoding is used. (7-bit character encoding is suitable for encoding Latin characters like English alphabets.)

70 characters if 16-bit Unicode UCS2 character encoding is used. (SMS text messages containing non-Latin characters like Chinese characters should use 16-bit character encoding.)

SMS text messaging supports languages internationally. It works fine with all languages supported by Unicode, including Arabic, Chinese, Japanese and Korean.

Besides text, SMS messages can also carry binary data. It is possible to send ringtones, pictures, operator logos, wallpapers, animations, business cards (e.g. VCards) and WAP configurations to a mobile phone with SMS messages.

One major advantage of SMS is that it is supported by 100% GSM mobile phones. Almost all subscription plans provided by wireless carriers include inexpensive SMS

messaging service. Unlike SMS, mobile technologies such as WAP and mobile Java are not supported on many old mobile phone models.

SMS Gateway: One problem of SMS messaging is that SMSCs developed by different companies use their own communication protocol and most of these protocols are proprietary. For example, Nokia has an SMSC protocol called CIMD whereas another SMSC vendor, CMG, has an SMSC protocol called EMI. We cannot connect two SMSCs if they do not support a common SMSC protocol. To deal with this problem, an SMS gateway is placed between two SMSCs. This is illustrated in the following figure. The SMS gateway acts as a relay between the two SMSCs. It translates one SMSC protocol to another one. This way can be used by two different wireless carriers to interconnect their SMSCs for purposes such as enabling the exchange of inter-operator SMS messages.

1.5 Disposition

The problem of this thesis is looked upon both restructuring the retail messaging division which will complement the expansion and positioning as a global messaging gateway.

The first chapter aims to give the reader an understanding of the problem highlighted, and the purposes we wish to fulfill. In chapter two, we present our theoretical framework, of the Internationalization process from a side, and the messaging essentials from another. In chapter three, the process methodology and business characteristics are presented. The fourth chapter describes the steps and challenges that PowerMeMobile will face when going international and an overview of the Egyptian market and partner. Chapter five conducts a feasibility study in figures and numbers the forecast and budget needed to expand and compete regionally. Finally, we present the results and analysis of our findings, followed by our conclusions in chapter six.

Chapter.2. Review of Literature

2.1 The Internationalization Process of Services Firms

This part of the paper is divided in 2 sections; section one will describe and discuss the theoretical framework of the internationalization of Services firms, which we are going to use as a guide in building our expansion plan. The 2nd section will describe the fundamentals and benchmarks of the corporate mobile messaging.

2.1.1 Introduction

The internationalization of services firms has not received enough attention in the literature, with most studies focusing on manufacturers. In order to obtain a better understanding of how services firms enter foreign markets, this study investigates the internationalization process of two Brazilian services firms, using a theoretical framework from the Uppsala theory of internationalization, the stages model of internationalization and other theoretical insights from the literature. Specifically, the study looks at to what extent the internationalization process of these firms follows the patterns suggested in the literature and whether there are remarkable differences when compared to manufacturing firms.

The international marketing of services is increasing its importance in the global economy (White, Griffith, and Ryans, 1998). According to Patterson, Cicic, and Shoham [1997, p.24] services "account for 25-30% of world trade and are growing at a rate faster than trade in manufactures." Considering such growing importance of services in international business it is quite surprising the small number of studies on the internationalization of services firms. Zou and Stan [1998], for example, in the most recent export performance literature review, detected that, of the 50 reviewed studies, the vast majority involved samples drawn from multiple manufacturing industries. In fact, very few studies have addressed the internationalization process in the services industry, such as health care plans and security corporations, advertising

agencies, consulting firms, etc. Furthermore, there have been few in-depth case studies, so far, that could help to better understand the processes by which services firms go international.

The purpose of this study is to describe and analyze the internationalization process of Brazilian services firms using the case study method of research (Yin, 1989). The following research questions were addressed:

• To what extent the internationalization process of Brazilian services firms follows the patterns suggested in the literature?

• Are there remarkable differences in these patterns, compared to manufacturing firms? Which are such differences and how do they relate to the existing theory?

2.1.2 Theories on the Internationalization Process of Firms

O Johanson and Vahlne (1977, 1990) made one of the first efforts to develop a model to explain how firms internationalize, borrowing from previous contributions of their colleagues of the School of Uppsala, their own research and some American studies. Their model, known as the Uppsala model of internationalization, assumed that market knowledge and market commitment (named state aspects) influenced both commitment decisions and current activities (named change aspects), the prior being also influenced by the latter. Internationalization was thus seen as an incremental process of adjustments to the environment, where firms learned as they got more involved with foreign markets and such learning helped them to increase their commitment to internationalization and vice-versa. A number of subsequent studies supported the Uppsala model, although some other authors have not found empirical evidence to support it (e.g. Jarillo and Martinez, 1991).

Figure 1: Uppsala Model of internationalization (Johanson & Vahlne 1977)
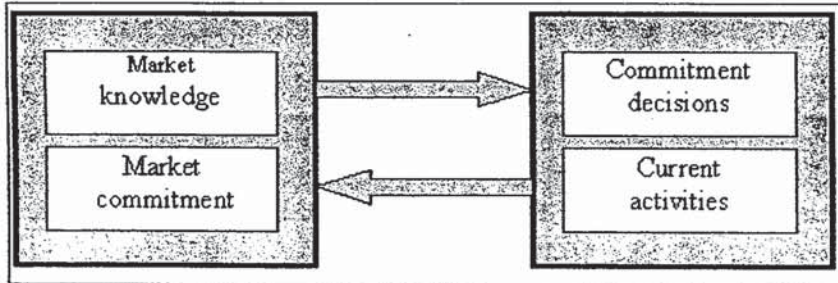
Another important contribution to the understanding of internationalization processes is the Stages Model (e.g. Cavusgil, 1980; Reid, 1981), which proposes that firms begin their internationalization by indirect exports, a less risky entry mode. Only then would the firm use an export agent or distributor, to later open a commercial office and finally to establish a subsidiary abroad.

Figure 2: Entry modes to international markets (Kotler 1991)
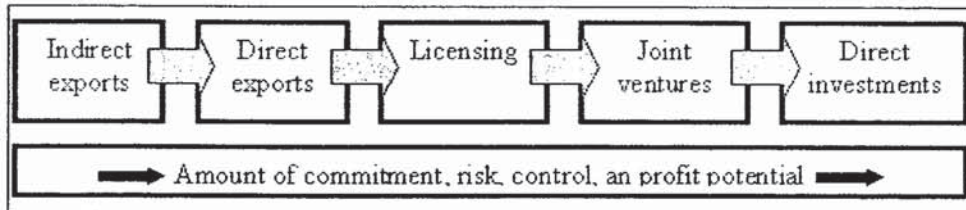
The stages can vary, as well as their order, depending on the specific author, but what characterizes the stages model is the supposition that a path would be followed towards gaining more control and accepting to take on more risks. Root (1987) regarded as fairly predictable the way by which a company gradually changed its entry mode once it had started its international operations. Wiedersheim-Paul et al. (1978) classified the attention-evoking factors in internal (unique competence and excess capacity) and external (fortuitous orders, market opportunities, competition and government export stimulation measures). A great amount of criticism to the present status of the internationalization theory can also be found in the literature. Among others, Zou and Stan (1998, p.342) strongly emphasized that "a glaring

problem of the export performance studies is the multiplicity of factors/variables proposed by researchers to influence export performance, the large number of ways in which the factors are measured, and the lack of a consistent theoretical framework to guide the choice of independent factors." If the understanding of how firms internationalize is not satisfactory at this point, the problem is increased when the object of study is the services firm. Besides the lack of a coherent framework in the area of internationalization studies, one of the entangling factors that prevent further extending the internationalization studies to service firms is the enormous diversity in the service sector. But although there are significant differences across service industries, a service firm tends to rely more on specific and individual knowledge, while a goods producing firm relies more on general and hardware knowledge.

According to Björkman and Kock (1997), a service firm can internationalize by following a buyer, in a "customer following" manner, as named by Erramilli (1988) and Erramilli and Rao (1990, 1993). The reason could be a reaction to the actions of a competitor, in this case often choosing the same mode of entry (Engwall and Wallenstal, 1988). The international activities could be just a way to penetrate a new market, i.e., "market seeking" (Erramilli,1988; Erramilli and Rao, 1990,1993), or existing personal networks may have facilitated the entrance into new foreign networks. The social bonds are thought to be important for gaining information about the business network and to being introduced to the right contacts. Erramilli and Rao (1990) concluded that service firms exhibit significantly greater aggressiveness in choosing entry modes when following their existing clients, than when serving new customers. O'Farrel, Wood and Zheng (1998) consider that long-term returns are in theory the criteria for a services firm to select the country to enter, but that, in reality, "the vast majority of business services companies do not make an explicit international market selection decision". In any case, a wholly owned subsidiary for service firms would frequently comprehend just an office and involve little fixed overhead. Large-scale investments in plants, machinery, buildings, and other physical assets would not be required. "Even switching costs may be comparatively small, because the true value-generating assets in these types of service firms are often people, and people are relatively mobile" (Erramilli and Rao, 1993, p.22).

Factors in the Internationalization Process

Looking at the internationalization process of firms, it is relevant to study which factors seem to most affect such process. The classification of determinants of export performance into controllable and uncontrollable factors, internal and external, has been considered to have strong practical relevance, according to Zou and Stan (1998), in their review of the empirical literature between 1987 and 1997. In this paper, emphasis will be given to the internal factors in the internationalization process, both controllable and uncontrollable, following Zou and Stan's classification of these factors.

Internal Controllable Factors

International marketing strategy. International marketing strategy can be defined within the wide perspective of strategic planning as "a process beginning with a product/market opportunity analysis" (Axinn, Noordewier and Sinkula, 1995). Nevertheless, in a more practical way, international marketing strategy is seen in terms of the four Ps: product, price, place and promotion (Koh, 1990). There are some positive and negative empirical evidences concerning the need for an international marketing strategy as a company internationalizes. Edvardson et al. (1993) concluded that the most profitable international service companies have chosen markets that closely match the service concepts, knowledge, organization and control systems of their home country, which may suggest that the same marketing strategy used in the domestic market is employed by these firms. In the Brazilian context, Christensen, Da Rocha and Gertner (1987) found that, in general, "the successful exporters were much more concerned with the adequacy of marketing mix elements than were the ex-exporters", suggesting that international marketing strategy seemed to be correlated with success in exporting. Another issue considered in the literature is the need for adaptation of the international marketing strategy to foreign markets where recently, authors have come to an agreement on the desired degree of standardization/adaptation with respect to branding, advertising, sales promotion and

pricing considering the moderating effects of organizational and environmental contingencies (e.g. Cavusgil, Zou and Naidu, 1993; Whitelock and Pimblett, 1997). Issues such as environmental risk and market uncertainty are seen as influencing decisions of adaptation or standardization (Arnold and Quelch, 1998). Some international researchers have emphasized the crucial role which marketing strategy elements play in gaining a good competitive position in a foreign market. The range and features of company products (Madsen, 1987), new product development (Katsikeas, 1994), product adaptation and product strength (White, Griffith and Ryans, 1998) are considered important product decisions which do not escape from the standardization/adaptation debate. As to pricing, White, Griffith, and Ryans (1998) have found that price adaptation positively influences the service firm's international performance.

Management attitudes and perceptions. Axinn (1988) argued that the understanding of management perceptions is relevant in exporting studies because they indicate "the degree in which a firm is likely to be involved in exporting", by denoting a positive or negative view of these activities. Among the most studied aspects of management attitudes and perceptions are psychic distance, international commitment, perceptions of advantages and barriers and international orientation. The idea of a psychic or cultural distance to foreign countries has been the center of a large debate in the internationalization literature. Johanson and Vahlne (1977, p.24) borrowing from previous research, defined psychic distance as " ...the sum of factors preventing the flow of information from and to the market". Dichtl, Köglmayr and Müller (1986) believed that, by improving the information flow, more firms would decide to internationalize. O'Grady and Lane (1996), however, felt that the applicability of this concept to international marketing strategy was still to be determined. International commitment is seen as a key determinant of the firm's international performance, according to Zou and Stan (1998). It is defined as "a general willingness by management to devote adequate financial and/or managerial and human resources to export related activities" (Donthu and Kim, 1993). International orientation was also found to be a very consistent predictor of good performance in foreign markets. Presumably, an internationally oriented firm could better identify and benefit from

emerging international opportunities and avoid threats (Zou and Stan, 1998). Management's perceptions of the advantages of internationalization seem to be positively associated to international performance, whereas perceived export barriers are often associated with poor performance or fail to be significant predictors of performance (Zou and Stan, 1998). Aaby and Slater (1989) and Leonidou, Katsikeas and Piercy (1998) noted that a substantial number of nonexporters perceive internationalization through exporting to be risky and to require more resources, suggesting that their perceptions might have acted as inhibitors to get involved with exporting.

Internal uncontrollable Factors

Firm characteristics. Technology level and firm size have been extensively studied, but no clear conclusions have emerged up to now. Zou and Stan (1998) also reported no conclusive findings. Madsen (1987, p.195) concluded that any firm should be able to compete successfully in international markets regardless of its general resources, the technological intensity of its products and the type of market on which it operates but that firms with large resources and a high technological intensity might expect a slightly better performance. Other factors such as a firm's age, life-cycle stage, nature of the product (consumer vs. industrial) or nature of the firm (manufacturer or intermediary) appeared not to have an impact on international performance, according to the literature review by Zou and Stan (1998). White, Griffith, and Ryans (1998), however, argued that size and age could be directly applicable to the service industry.

Firm Competencies. As well as overall business competencies, international competencies appeared to be important determinants of performance, according to Zou and Stan (1998). Aaby and Slater (1989, p.21) concluded that "competencies are probably more important than firm characteristics". Experience in international markets is considered an important firm competency. Experiential knowledge was praised by Johanson and Vahlne (1977, 1990), in the Uppsala Model, as a primary way of reducing market uncertainty and as a strong driving force in the internationalization process. Aaby and Slater (1989) confirmed that experience is

important and firms that have experience are likely to do better than firms that are just starting. Another firm competence relevant to international activities is the ability to establish and develop relationships with partners in foreign markets. For example, software managers from New Zealand, studied by Coviello, Ghauri and Martin (1997), appeared to be aware of the risks of associating their firms with an inappropriate partner. They recognize that successful relationship development would take time and effort.

Management Characteristics. Management characteristics have been determined to influence the performance of an international firm. Among those, international experience of top managers, foreign business experience, international travelling, etc., seem to be more relevant to internationalization, although formal education and general business experience might have in some cases a positive impact. Zou and Stan (1998) suggested that perhaps education and business experience help to identify and leverage on the international opportunities while avoiding international threats. Wiedersheim-Paul et al (1978, p.48) expanded the concept of foreign experience to "the extent to which the decision-maker perceives and considers, as interesting, events occurring outside his own country – or perhaps even outside his own local environment". White, Griffith, and Ryans (1998) verified that trips abroad were relevant in the services context..

2.1.3 Summary of the 2 cases studied

Two in-depth case studies supplied the empirical basis of this study. The companies studied were in the services industry and operated specifically in the information consulting business: Serasa sells information to support credit decisions to financial institutions and firms in general; and Ibope sells different sorts of market information services to a variety of industries. They also have in common a reputation for excellence in services. Because of the limitations of size for this paper, only a brief summary of each case is provided

Case 1: Serasa

Serasa was the pioneer in providing information for credit decisions in Brazil, and the market leader until the end of 1997. Serasa's product line covered several levels of supporting information, regarding both personal credit and corporate credit.

Its reports could contain from simple information, such as stolen or stopped checks, to much more complex information, such as financial and credit risk analysis of firms and industries. No other firm in the Brazilian market could match Serasa in all levels of information provided, although this was not the case in the international market.

One of the characteristics of the information-providing industry for credit decisions was the segmentation of this information in personal credit and corporate credit. Until 1996, firms operating in the industry typically served only one segment, but after 1996 there was a movement to reduce specialization, using joint ventures or other type of partnership, in order to acquire know-how to operate in the other segment. The personal credit segment was naturally larger, and represented a great potential in Brazil because of its large population and the trend towards increasing personal credit, due to the stabilization of the economy.

If this were not enough to attract foreign attention, Brazilian credit procedures still considered only negative information while countries with more credit tradition were already using positive information, known as "credit bureau". The international market for credit information was characterized by relatively few firms highly internationalized. These firms were often the result of acquisitions or associations between a large number of smaller firms, connected to each other by all kinds of ties. The market tended to be more developed where international trade was stronger. These services were in fact more needed in the more active trade routes, especially where transactions were done by many firms. Major players in global markets were Dun & Bradstreet, Equifax and Experian . Since 1996, Serasa had an agreement with Dun & Bradstreet to provide international firm's credit records to the Brazilian market. Experian had made an association, in 1997, with SCI, Serasa's main Brazilian competitor. Since then SCI had been investing large sums in advertising and personal selling, including direct calls to Serasa's clients.

In 1992, Serasa's Board, recognizing the movement towards globalization and the opportunities and challenges brought by the opening of the Brazilian economy, hired a new executive to organize a marketing structure that would leverage Serasa's growth and develop the firm's international skills. This executive came from Banco do Brasil, where he had worked with export incentive programs and support to the bank's foreign operations. His background included several years of residence in foreign countries. The first actions towards internationalization aimed to acquire better knowledge of the world's credit information market.

In fact, management spent two years to map the market. Proactive actions were initiated by telephone and mail, and international advertising in credit publications was first. Serasa's managers started to participate in international seminars and to visit foreign firms.

As management started to get a feeling for the international market, it was decided to initiate the internationalization process avoiding entry modes that would require large investments and involve greater risks. Bilateral agreements of mutual representation were chosen as a first step to internationalization, because these agreements demanded no change in the stockholder's structure, and allowed to initiate international activities by the exchange of information between the partners.

In 1997, these deals had still not generated a significant volume of transactions, but the managers believed it had served its purpose, giving the company an opportunity to compare its products with those offered in other markets. This experience also permitted to learn different business practices and to include international reports in their domestic product portfolio. In expanding their international activities, Mercosur - The Southern Common Market - was given priority because of its proximity and potential. Besides that, some major Brazilian banks, such as Itaú and Real, were expanding their activities in foreign countries as well and needed information on the Chilean, American and European markets.

The first deal established came from an invitation to participate in an event in Uruguay. The Uruguayan Liga de Defensa Comercial intended to standardize and improve the information services in South America and invited several Brazilian and Argentinean firms to a meeting, but Serasa was the only firm to accept the invitation.

After that, the relationship with Liga improved substantially and soon Liga was distributing Serasa's reports in Uruguay and supplying its own reports to Serasa. The Uruguayan market was rather limited, but Liga intended to distribute its reports to other countries through Serasa, which had the approval of the latter.

Fidelitas SRL was the firm chosen to represent Argentina, but its relationship with Serasa did not evolve as much as the one with Liga. Fidelitas' reports were good but Serasa's managers felt Fidelitas was not making the right effort to market Serasa's reports to the Argentinean market. This market was considered to be of great potential and a priority one, but the relationship was limited at that point to Serasa buying Fidelitas' reports.

By the end of 1994, a manager of Serasa was contacted, in Argentina, by Veritas, a North American firm, 35% controlled by the large Coface - Compagnie Française pour les Actions de Commerce Extérieur of France, which had an Argentinean subsidiary and was searching for a Brazilian partner. A relationship with Coface was considered very interesting and an information interchange agreement was signed. Serasa was then considered the Brazilian member of the group, invited to participate in the annual meeting of Coface's firms and started supplying Coface's high executives directly with reports. Until that moment there were not major contacts with other firms from the group, but Veritas and Coface were both very good clients, averaging 200 orders in 1997. And Serasa's demand for their international reports, although lower in number, was expected to enlarge during 1998.

An important deal was signed with Dun & Bradstreet, after these approached Serasa in 1995. It involved not only distributing each other's reports, without exclusivity, but also developing a common software. Then, in 1997, some of the decisions towards internationalization had to be anticipated, because Dun & Bradstreet, after 50 years in Brazil, decided to close its Brazilian operations and indicated Serasa to all its former clients.

Also in 1997, Serasa established a representation office in London. The chosen partner, Infolatina, belonged to an ex-manager that had been involved in the first internationalization actions due to her language capabilities. All the commercial activities remained controlled by the Brazilian office. The main intention was to

develop an image in England and other European countries, and lobbying with potentially interesting organizations such as credit research institutes, universities, and embassies as well as other governmental agencies.

Several operational adjustments were still to be done. Only 60% of the international orders were being effectively attended. One of the main reasons was Serasa's policy to always prepare the most complete report possible while internationally reports were prepared even if just a very small quantity of information was obtained. Another limitation, solved in 1997, was the inability to take credit cards as regular payment and finally, no standardized contract to the clients was available.

By 1998, Serasa was expanding its international operations but competition in the internal market was becoming more intense. This situation became even more threatening with the acquisition of SCI, Serasa's main competitor, by the powerful multinational company Equifax. To face such changes, Serasa hired in 1999 a consulting firm which recommended the company to halt its efforts in the international market and concentrate its attention in the domestic market. At this point, the champion of the internationalization process left the company, and the internationalization process was paralyzed.

Case 2: Ibope

The Ibope brand name is commonly used in the current vocabulary in Brazil to mean prestige or audience. A synonym of trust since 1942, Ibope is considered one of the largest information providers in Latin America. The company defines itself as a provider of information for decision making and is the world's 18th largest market research firm with about 2,000 employees. Ibope Media is one of the companies of the Ibope Group and the first media research institute in Latin America, where it is the undisputed market leader with a share of over 90%. The company conducts TV audience research in twelve countries, besides measuring radio audiences and newspaper readership, and monitoring advertising investment.

In 1985, Ibope, which used the coincidental method with door-to-door interviews, acquired Audi-TV (which manufactured meters, technology that Ibope was already developing). In fact, since the 60's, the researcher Hélio Silveira da Motta had been

developing a meter's technology, to measure TV audience. Until then this type of equipment could only be found in the United States and England, and later appeared in Japan, just before the Brazilian technology came to the market. In 1969, Audi-TV started its operations in the Brazilian market using Motta's technology, which was improved by his son, who continued the research his father had started. When Audi-TV was acquired by the Ibope Group, he became the R&D manager. This explains how Ibope came to be, and still is, one of the most important technology developers in this area.

In 1985, starting to work with consumer panels (continuous monitoring of household markets for products in the food, home cleaning and maintenance, personal hygiene and clothing segments), management felt the need for more technology. In fact despite its leadership in technology in the media segment and its equivalence to world leaders in public opinion research knowhow, Ibope lacked front-edge technology in consumer panels. A result of the international search for technology was the association with Europanel, the most diversified international network of market research providers, with members in 19 countries.

In exchange for the technology, the panel operator from the United Kingdom received 5% of the stocks of Ibope's Consumer Panel. Internationalization was not strange to the four partners who joined Ibope to develop the consumer panel area. They had previously worked together in Audi Marketing, a firm that dealt with this kind of technology and had international partners.

Ibope International was set up in 1990 as a new company to manage the group's expansion in Latin America. At the same time, Ibope took the initiative of spearheading the creation of a network of Latin American companies that had members in Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Uruguay and Venezuela.

The expansion to Latin America began in 1990 because until then many of the countries were under dictatorial regimens or the broadcast firms belonged to the local government. Management believed that it was not wise for a Brazilian firm to measure TV audience under these environmental conditions. With the privatization of the majority of the broadcast networks and the democratization of these countries,

Latin America started to appear to Ibope's management as an excellent market. It was also considered that the large international competitors – such as Nielsen (US), Taylor-Nelson-Sofres (UK), GFK of Germany and the AGBof Italy – would have to face several adverse conditions in entering most Latin American markets, with problems unfamiliar to them, such as archaic technologies, low penetration of the telephone network and bad quality telephone lines and communications in general. Africa, where even greater infrastructure problems had to be faced, did not appear as a promising market, besides being far, and in Asia the English firm already dominated the market. The goal was then Latin America. Management believed that these markets should be quickly occupied in such a way that Ibope should already be firmly established in at least five or six countries before competitors noticed.

As human and financial resources were considered to be scarce to attain the desired speed of expansion, the solution was to search for local partners, accepting in the beginning, equal partnerships. The partner candidates were investigated for their integrity (with clients and firms they dealt with) and those already in charge of providing media information in the country were preferred, even if they were still using older technology. Ibope's management tried to show to these partner-candidates that Ibope's advanced technology could represent either a threat or a growth opportunity to them.

Being part of the Europanel association, Ibope had been many times in charge of the Brazilian part of research projects conducted and Ibope's executives had the opportunity to attend presentations by other Latin American firms. Besides, some of the directors had already visited almost all Latin American countries, either for work or vacation purposes. They believed that the diversity of population, habits and behavior among different Latin American countries should not be greater than the one found between Brazilian people living in the Amazon region and the more European and educated Brazilians from the South. The feeling was that they were quite used to deal with this diversity in their domestic operations.

The results of this expansion to other Latin American countries were considered to be quite satisfactory, with very few problems. At the same time, other products from the Ibope Group were being internationalized with success and some pitfalls.

The media operation was already doing quite well in Mexico, in 1994, when Ibope tried to introduce there the consumer panels.

There was then just one American firm working with it and Ibope's managers believed they could offer a product with superior quality. The American firm retaliated with dumping practices, giving away the information for free. Ibope's managers considered that the probability of success in such conditions was remote and decided to close their consumer panel operations in Mexico.

From this experience, the Board of Directors concluded that for products that needed a strong investment such as panels, there was space for only one firm in each market. Other entries did not follow necessarily the original plans. The entry in Peru happened almost by chance. Ibope's technology director went to Peru to give a lecture about their equipments and came back from there with a large equipment order. Once this operation with this one client was finished the firm decided to enter the Peruvian market and other Latin American markets as an information provider, instead of an equipment supplier. Later on, IBOPE bought the Peruvian firm that had acquired their equipments.

Competitive reaction to Ibope's internationalization took the form of a price war started by Nielsen-Latin America. From 1997 on, Ibope started to search for an international partner, who would be interested in acquiring a minor participation in the media area. A successful experience in associating to an international partner occurred in 1994, when NPD acquired a participation in the Consumer Panel. NPD was initially a software provider for the Consumer Panel and this partnership provided growth and good ideas. But an even larger partnership was to be formed with WPP of England, which acquired for its world portfolio 35% of Ibope's media area. Management perceived that this acquisition would signal to Nielsen that the dispute would be stiffened, with equal resources on both sides. In fact, the war with Nielsen came to an end, with the acquisition by Ibope of Nielsen-Latin America media research activities in 1998. The same transaction left Nielsen with an 11% participation in the media area of the Ibope Group. Nielsen-Latin America was then established in the media area in seven countries. In five of them Ibope was already

present and two new markets were added to Ibope's media portfolio: Panama and, again, Ecuador.

Since then, with more resources freed from competitive disputes, the international expansion could be refueled. Three new markets had already been added, Costa Rica, Paraguay and Uruguay, always by the establishment of partnerships, but this time with Ibope participating in at least 51% of the capital. Management intended to keep better control of the operations, being thus able to impose a homogeneous pattern demanded by their clients, which were becoming constantly more globalized.

Management was enthusiastic with the results of Ibope's internationalization process and intended to continue its expansion in the years to come.

Analysis and Discussion

The results will be discussed in reference to two aspects of the literature examined. First, the adjustment of the internationalization processes of the firms studied to the models in the literature will be discussed. Second, internal factors in the internationalization process will be analyzed, as well as their impact on the internationalization processes examined.

The Uppsala internationalization theory of the firm, as proposed by Johanson and Vahlne (1977, 1990), explains, at least partially, the process by which the services firms studied internationalized. The idea of gradual commitment to international operations stands for the two cases studied. In both cases companies started their international operations in a more limited way and increased their commitment as new experiences permitted them to acquire more knowledge. Ibope started by an association with Europanel in 1985, in order to acquire technology from foreign partners, which produced the acquisition of technology by an English firm in exchange for a small percentage of the company's stock. After that Ibope designed a plan to expand to Latin America with joint-ventures with equal participation that later turned into a majority share of the new ventures. Serasa, on the other side, moved gradually and slowly to internationalization, but management was quite aware of opportunities, as the deal with Uruguay shows. As the company moved towards

internationalization, it seemed that management felt more confident to follow the path. Although both companies followed the commitment-knowledge model, Ibope was much faster and proactive than Serasa in its internationalization. This will be explored when the factors in the internationalization process are examined.

Differences between the internationalization process of these services firms, compared to manufacturers, can be found in the specificities of their operations. In the case of Ibope, exporting did not play a major role in its expansion; there was an occasional export of meter equipment, but this was not the direction chosen by management to expand internationally. As to Serasa, the selling of international reports through partners outside the country could be seen as an export using foreign distributors, such as the Uruguayan company. Later, however, it moved to serving directly its partners, as in the case of Coface and Veritas.The stages models, however, may help to explain only one of the cases studied. Serasa, in fact, moved from some sort of exporting of standardized products to direct selling of more customized products to foreign clients. Ibope did not start by exporting, but by establishing joint-ventures abroad. Also, since the beginning of the internationalization process of Ibope, decisions were intentionally taken to go international; only eventually an "unsolicited order", as in the case of Peru, appeared in the process.

An interesting aspect of the internationalization processes studied was the response of the two companies to competitive rivalry. In the case of Ibope, expansion to new markets threatened powerful competitors, starting a price war which ended with an acquisition by Ibope of the largest competitor's Latin American media operation and an exchange of shares between them, as well as the selling of a minority share of Ibope's media company to another powerful international competitor. Yet all these events were seen by top managers as a diversion from the main focus of internationalization and they recovered the impetus to internationalize as soon as the competitive situation was resolved. Serasa's management, on the other side, responded to a no less serious competitive threat in the domestic market by halting the internationalization process.

The reasons for the different reactions of both companies can be explained by the factors internal to the firm. A comparison of the two cases studied using the variables identified in the literature review.

International Marketing Strategy

From the beginning, Ibope seemed to have a very well planned international strategy, just waiting for the best moment to make its first international entry. Market research, the firm's core business, was made not only by the traditional means but also through the observation of the reports from the other Latin American countries, ordered by Europanel. In the first entries, management considered a competitive differential the fact that the product was easily adaptable, making easier the dialog with partners and clients. Later, with the changing of course towards greater standardization, the flexibility level related to product adaptation was purposefully reduced. Price adaptation always took into consideration the competition in the country, and it was made easier by managing each research as an independent project. Likewise, information selling requires a large amount of personal contact and there is practically no space for standardization.

Serasa's management, on the other side, recognized the need to internationalize, as well as its total lack of experience and know-how in international operations, and decided to start this process by careful study of foreign markets, followed by trips and other business experience, before any commercial action was taken. After the initial careful analysis of the market, it seems that Serasa moved more based on the experience gained on each step and not much planning was involved. There was basically no product adaptation on the beginning, but this was later changed, a movement contrary to Ibope's.

Management Attitude and Perception

Both companies priorized Latin American markets in their internationalization process. Psychic distance to foreign markets did not seem to be a problem to Ibope's management, as they perceived diversity in Latin America comparable to the diversity in the domestic market. Serasa's managers also seemed quite comfortable with

differences between the domestic and foreign markets. This can be explained in large part by the fact that Serasa was actually operating in a business-to-business environment, rather than dealing directly with a large number of local foreign customers. Ibope bought local market expertise, through its association with local partners, already operating in the media research business.

Both the international commitment and the international orientation were very strong in Ibope and not as strong in Serasa. In the case of Ibope, the commitment to internationalization can be seen in the high volumes invested and the importance given to international projects in the growth and global strategy of the Group. The main perceived barriers were the difficulties to adapt to the infrastructure and country restrictions, but these same problems were perceived as advantages, once they kept international competitors away, since these conditions were unfamiliar to them. Also, Ibope's executives were ready to take risks and to reevaluate the consequences of their decisions, changing direction whenever necessary, as in the case of consumer panel operations in Mexico. Internationalization was championed by one member of top management, but the enthusiasm and the desire to go international was shared.

Serasa's management had to hire an executive to be in charge of foreign operations and this executive actually was the most committed of all top managers in the internationalization process of Serasa. There was high awareness of potential problems and risks, and internationalization was seen as necessary rather than adopted with enthusiasm. This attitudes were conducive to low desire to take risks and a more conservative approach. As the internationalization champion left the company and more difficulties appeared in the domestic scene, the company chose to stop the internationalization process.

Firm Characteristics

Regarding firm characteristics, Ibope's size had influenced mainly in the building of the partnerships and appeared to have a close connection with the credibility attributed to the Group; and credibility was considered of great importance in this business. Ibope was also in the front-edge of the technology in its industry, with large sums invested in R&D. Serasa also had some advantages because of its size in the

Brazilian market, which permitted interesting and profitable associations. It had the technology necessary to compete, but was rather a later adopter, following the trends in the market rather than starting new trends.

Finally, age did not seem to have any relevance to both firms' internationalization processes.

Firm Competencies.

Ibope's international competence itself was being gradually developed, although the international competence of the managers was already largely developed through international trips and former experiences in exporting. On the other hand, the Group's international experience was leveraged by the partnership with Europanel, being increased afterwards not only by the internationalization process itself but also by other partnerships. As to Serasa, it had very limited international competence and experience and the choice of entry modes did not permit fast accumulation of experience.

Final Remarks

The cases studied clearly show that existing theories of internationalization can still be applied to the services industry.

As with manufacturing firms, no theory of internationalization seems to be able to explain all aspects of the internationalization of all firms, but they seem to provide satisfactory explanation for how firms move in their internationalization process, particularly during the first steps.

The two services firms studied differ substantially in their approach to internationalization: while Serasa took an extremely prudent approach and slowly moved to international markets, Ibope placed a lot of resources and energy in a very fast internationalization process. Management characteristics seem to be the best variables to explain such differences. Ibope managers had accumulated international experience in previous ventures, including extensive travelling and language skills and had experienced a number of international associations both at Ibope and in their previous business experience. Serasa's management, on the other side, lacked such

experience and did not feel as much at ease in the international arena. While one company was carefully sensing its way in the international markets, managers at the other new exactly how to move and what types of problems they had to face. Each company's internationalization process thus seems to be associated to management's characteristics. More commitment to international operations and the speed of internationalization appear to be the result of accumulated international experience.

This study, of an exploratory nature, permitted to obtain some insights on the internationalization process of service firms. Yet more research is necessary in order to understand how these firms enter and expand their operations in foreign markets.

2.2 Corporate Mobile Messaging

In this part, we will present a general overview of the benchmarks of the Enterprise Mobile Messaging and examine how conform is PowerMeMobile with those international standards.

2.2.1 The Enterprise Mobile Messaging Benchmark Report

Today's enterprises are starting to understand that doing faster, more efficient and more effective work requires faster, more efficient, and more effective communication systems. The ability to: 1) satisfy customer needs anytime, anywhere; 2) create flexible organizations that are able to react more quickly to environmental changes; and 3) enable employees to collaborate in the most effective way are prerequisites for success in the modern business world. Organizations that are deploying mobile messaging solutions find it an invaluable tool to address these issues.

Figure 3: Top Factors Driving the Adoption of Enterprise Mobile Messaging
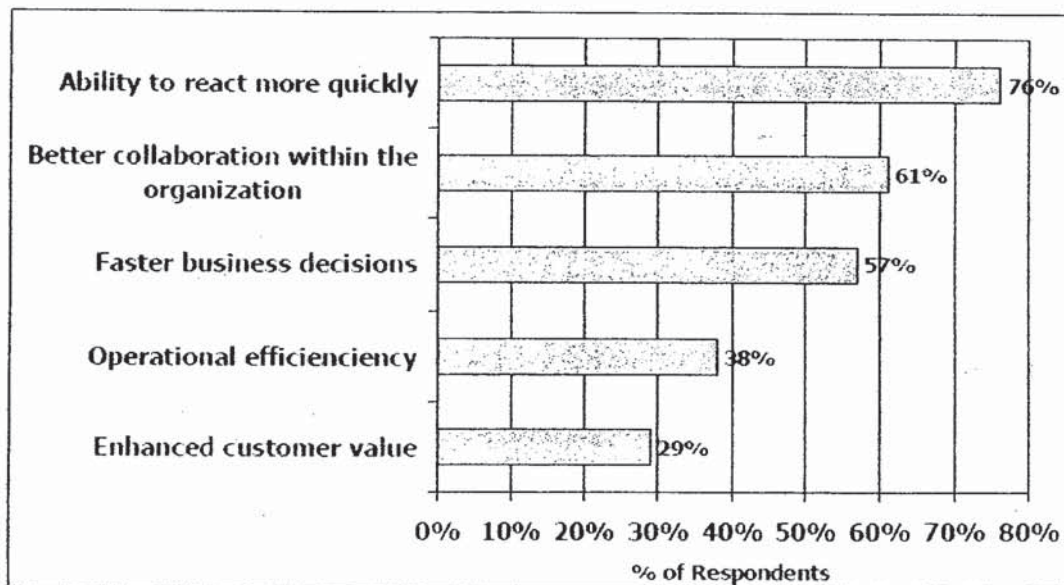
(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

The continuously falling cost, increasing availability and improved performance of mobile networks and devices is driving the proliferation of mobile messaging applications, including push-email, mobile instant messaging (IM), Short Message Services, Multimedia Services, and voice over IP (VoIP) solutions. Organizations are now assessing how these various mobile messaging solutions — beyond push email - can actually help improve workflows within their organizations, with the ultimate expectation of having all these communication options available to them on one device. To that end, Aberdeen's research shows that 51% of the organizations had implemented at least one mobile messaging solution within the last 12 months. It's not surprising to see in Figure 2 that mobile email solutions were the most prevalent in organizations due to the popularity of those solutions.

Figure 4: Enterprise Mobile Messaging Applications deployed

(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

2.2.2 The Emergence of Mobile Messaging

Respondents to Aberdeen's survey have shown that mobile messaging is still a relatively new concept within their organizations. Forty-eight percent of the organizations surveyed stated that they have had mobile email in place for more than a year. This statistic suggests that enterprise mobile messaging is now coming out of the "early adopter" stage and is starting to see mass enterprise adoption.

Aberdeen's research also shows an increase in the number of organizations that are leveraging mobile messaging solutions other than mobile email. Sixty-eight percent of organizations surveyed are currently deploying two or more mobile messaging solutions and 30% are leveraging three or more mobile messaging solutions.

Survey respondents also provided insight into what mobile messaging technologies they planned on investing in over the next 12 months. The fact that organizations stated most frequently that they planned on investing in Mobile VoIP speaks to the continued convergence of voice and data networks and the evolutionary transition from wired IP telephony to mobile IP telephony.

2.2.3 Unifying Mobile Messaging

Forty-one percent of survey respondents indicated that interoperability and compatibility with existing solutions and devices is a major challenge in adopting new messaging solutions. Sixty-seven percent of Best-in-Class organizations are addressing this issue by implementing an infrastructure that can support unifying all mobile messaging applications. Best-in-Class organizations are unifying these applications into one integrated mobile messaging solution and see that as an effective way to address not only the above issues, but also the increasing cost of managing disparate mobile messaging platforms and applications within their organizations. It is also important to highlight that while Best-in-Class organizations are moving toward unifying their mobile messaging applications in order to operate them on single platform, Industry Average and Laggard organizations are far behind in that process.

Figure 4 shows significant discrepancies between these three market segments in regards to the level of awareness of benefits from unifying mobile messaging.

Figure 5: Awareness of Benefits of Unifying Mobile Messaging Solutions
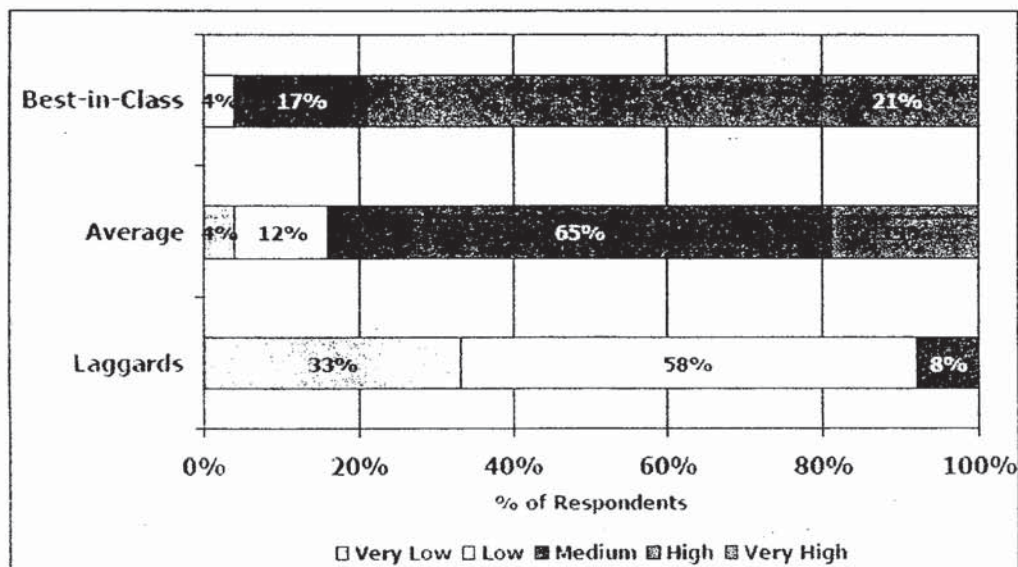
(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

2.2.4 Challenges in Adopting Mobile Messaging Solutions

Aberdeen's research showed that 15% of organizations surveyed do not currently have any mobile messaging solution in place and that 61% of those organizations do not have any plan to move towards adopting mobile messaging solutions. Figure 4 shows the major obstacles preventing the adoption is an unproven business case and a lack of knowledge about the benefits of mobile messaging.
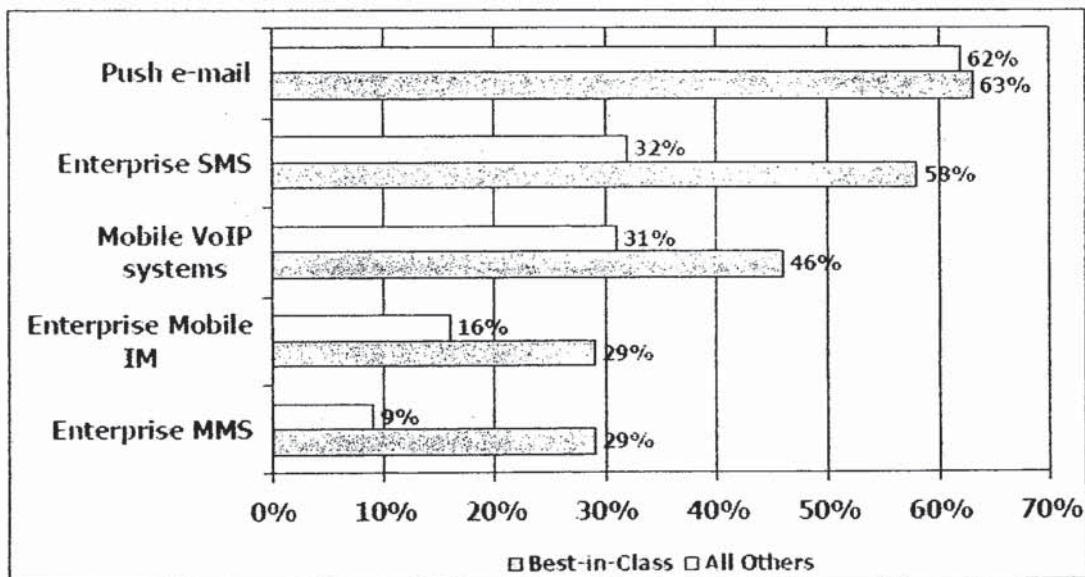
Figure 6: Top Factors Preventing Adoption of Mobile Messaging Solutions
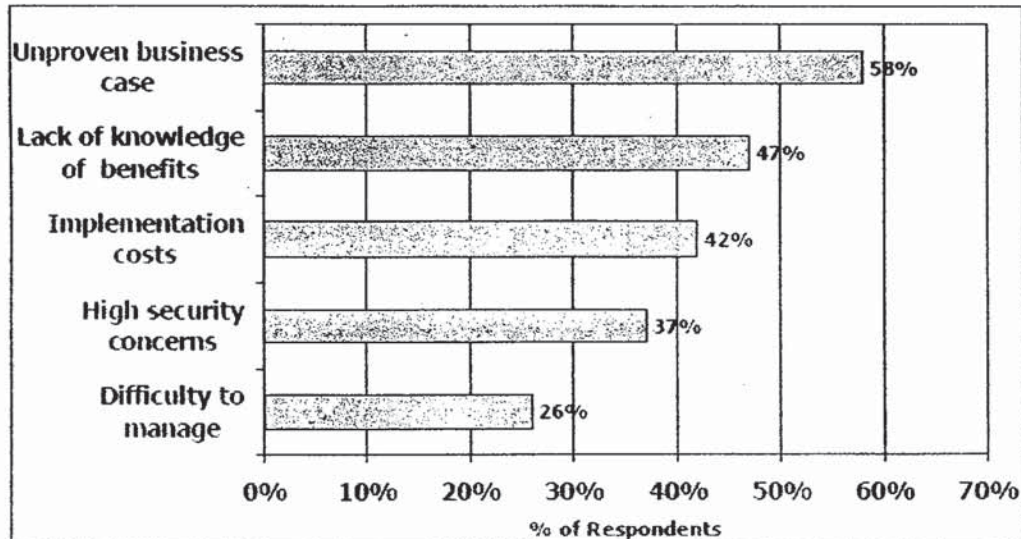
(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

The data shows that organizations need to gain a better understanding of the value proposition of mobile messaging solutions. Furthermore, all of the major obstacles are rooted in a lack of knowledge regarding a technology or a lack of understanding of mobile messaging value proposition. This is an opportunity for providers of mobile messaging solutions and services to demonstrate the value that these solutions can provide and show how these solutions can help companies achieve their goals.

2.2.5 Key Business Value Findings

While less than 15% of survey respondents stated they did not have any current mobile messaging solutions in place, the remaining 85% gave many reasons regarding what was driving their use of mobile messaging solutions. Not surprisingly, most reasons given revolved around driving continuous communications and collaboration, both with customers/prospects and colleagues.

These organizations see mobile messaging as a tool for gaining a competitive advantage through satisfying customer needs, making better business decisions, and creating effective teams. Seventy-six percent of respondents stated that the ability to respond to customer needs more quickly was the most important factor driving the adoption of mobile messaging solutions.

2.2.6 Challenges and Responses

Table 2 shows that slightly more than half of the survey respondents see security as the key challenge to an effective mobile messaging deployment. However, even though 56% of respondents indicated security as the major challenge, only 33% of organizations are implementing a software solution to ensure the secure transfer of data to/from mobile devices. On the other hand, while 64% of Best-in-Class organizations indicated that security is a major challenge, 87% of those organizations are taking actions to address to this issue.

Additionally, 43% of respondents indicated that they find business justification of mobile messaging adoption as a serious challenge, but only 32% of organizations are defining and tracking metrics to determine the value of a specific project.

Table 2: Enterprise Mobile Messaging Challenges and Responses

Challenges	% Selected	Responses to Challenges	% Selected
1. Security	55%	1. Developing a centralized management system for mobile devices	38%
2. Interoperability/Compatibility	47%	2. Learning about mobile messaging prior to adopting a solution	37%
3. Business justification	43%	3. Developing an enterprise-wide usage policy for mobile messaging	35%
4. Cost of implementation	42%	4. Implementing a centrally managed software solution for secure data transfer	33%
5. Measuring ROI	31%	5. Using industry accepted messaging protocols and standards	32%

(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

The data shows that organizations need to be better educated on how to take a more systematic approach to the adoption of mobile messaging solutions. The survey responses show that Best-in-Class organizations are effectively:

- Identifying the major challenges to mobile messaging;
- Understanding how these challenges affect the ROI of any implementation;
- Determining the best practices for addressing these challenges.

However, Industry Average and Laggard organizations are taking an "ad hoc" approach to leveraging mobile messaging. This approach makes it significantly more difficult for them to understand the value proposition of mobile messaging solutions. The end-result is that while 22% of Best-in-Class organizations find the business justification of mobile messaging a challenge, all other survey respondents struggled to understand the business value more than twice as frequently (48%).

2.2.7 Mobile Messaging Needs to Be Integrated With Other Back-End Solutions

Each of the top five capabilities that organizations selected includes somehow the integration of the mobile messaging solution with back-end hardware and software. Therefore, the effectiveness of adopting a mobile messaging solution also depends on the ability of mobile workers to access and retrieve data from applications such as CRM, SFA as well as corporate email and intranet.

Figure 7: Capabilities Needed for Effective Leveraging of Mobile Messaging
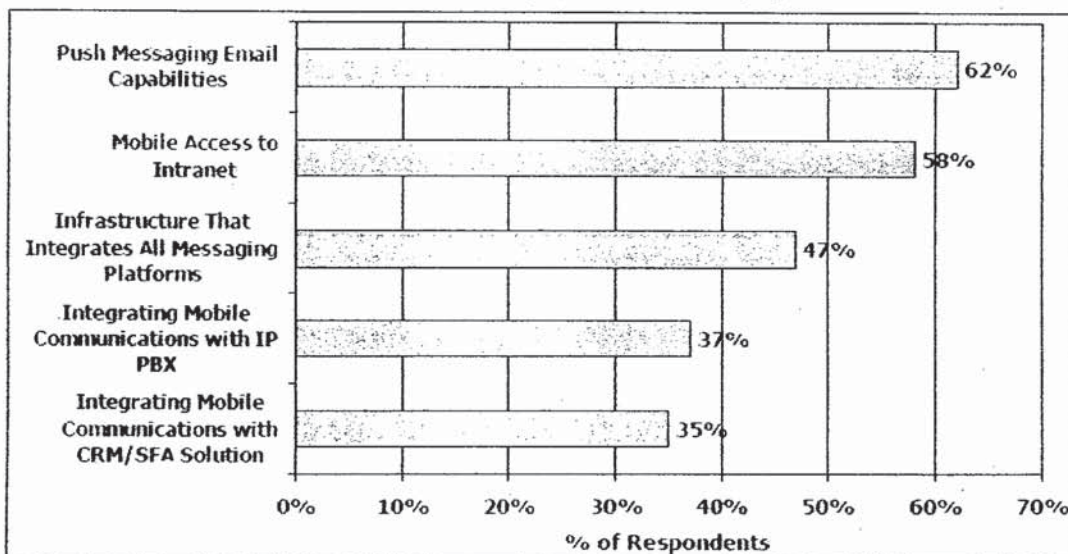
(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

In order to get greater returns from mobile messaging, organizations need to implement enterprise-wide infrastructure, so that mobile messaging applications can be effectively integrated into their organization's workflow and business processes.

Table 3: Most Common Use of Mobile Messaging by Department

Best-in-Class	% Selected	Industry Average	% Selected	Laggards	% Selected
1. Customer Service	65%	1. Sales	67%	1. IT	75%
2. Sales	61%	2. Customer Service	54%	2. Sales	58%
3. IT	57%	3. Marketing	52%	3. Customer Service	38%

(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

Best-in-Class organizations are providing mobile messaging solutions most frequently to their customer/field service organizations in order to maintain and build current client relationships, while industry average organizations are predominantly deploying mobile messaging solutions to develop new relationships. On the other hand, laggard organizations are still deploying mobile messaging solutions for the most part within their IT departments.

Best-in-Class organizations have come to understand that mobile messaging solutions are an effective tool to deploy when the way in which a customer is contacted can become a competitive advantage and business growth driver.

2.2.8 Implications and Analysis

As shown in Table 4, survey respondents fell into one of three categories – Laggard, Industry Average, or Best in Class — based on their characteristics in four key categories: (1) process (the way mobile messaging solutions are leveraged – for communications among colleagues only, or along the value chain); (2) organization (the level of understanding what the needs are for mobile messaging solutions across divisions); (3) knowledge (awareness of solutions available on the market as well as of perceived benefits from these solutions); and (4) technology (role that mobile devices, messaging applications, and software solutions play within an organization's strategy).

Table 4: Enterprise Mobile Messaging Competitive Framework

	Laggards	Industry Average	Best in Class
Process	Mobile messaging solutions are primarily used for communication between colleagues.	Mobile messaging solutions are primarily used for communication between colleagues and customers.	Mobile messaging solutions are used for communication along the value chain (colleagues, customers, suppliers, and partners).
Organization	Lack of communication regarding needs for mobile messaging solutions across divisions.	Moderate communication regarding needs for mobile messaging solutions across divisions. Unified solution needs to be customized to division-specific communication needs.	Strong communication about needs for mobile messaging solutions across divisions. All divisions understand value of having a unified solution.
Knowledge	Low awareness of available solutions. Low knowledge of benefits of mobile messaging applications.	Medium awareness of solutions available. Moderate knowledge about benefits of unified mobile messaging solution	High level of knowledge about benefits of mobile messaging applications High ability to measure the ROI of deploying mobile solution.
Technology	More focused on devices and software, less on solutions and applications.	Based upon using multiple solutions on multiple devices.	Already have in place, or planned, an infrastructure that can support a messaging platform that unifies all mobile messaging applications.

(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

2.2.9 Process, Organization, and Knowledge

80% of Best-in-Class organizations use mobile messaging applications to exchange messages with heir customers. These organizations are moving from using enterprise mobile messaging predominantly for communication within the organization and increasingly leveraging these solutions to manage relationships with their major stakeholders (customers, suppliers, partners, etc.), as illustrated in the following table:

Table 5: Mobile Messaging Deployment Along The Value Chain

	Best-in-Class	Average	Laggards
Colleagues	91%	90%	92%
Customers	80%	63%	56%
Suppliers	56%	34%	48%
Partners	63%	43%	44%

(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

Aberdeen's research showed that there are twice as many Best-in-Class companies that have a strong communication about needs for mobile messaging solutions between divisions compared to all other respondents. That kind of approach enables these organizations to adopt mobile messaging solutions that are aligned with specific need of each division and also makes it easier for an enterprise as a whole to deal with issues such as interoperability, compatibility, usage and procurement policies. Therefore, Best-in-Class organizations are more capable to take a full advantage of these solutions that is mirrored in their ROI and customer satisfaction performance.

Table 6: Knowledge of Available Enterprise Mobile Messaging Solutions

	Best-in-Class	Average	Laggards
High	74%	21%	4%
Medium	22%	58%	24%
Low	4%	21%	72%

(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

Table 6 shows that Best-in-Class organizations have much better knowledge about enterprise mobile messaging solutions that are available than does the rest of the survey poll. Additionally, 48% of these organizations have a high level of knowledge

of how to measure ROI from mobile messaging project compared to 8% of Industry Average and 4% of laggard organizations.

Knowledge about the technology is the major issue among present and potential end-users of mobile messaging. Forty-seven percent of respondents that do not deploy these solutions indicated "lack of knowledge regarding solutions" and "benefits" as one of the major obstacles (Figure 5).

2.2.10 Technology Usage

Sixty-one percent of Best-in-Class organizations have the infrastructure in place that can support unifying all mobile messaging applications and integrate them with one back-end solution. Industry Average and Laggard organizations are currently more focused on mobile device and software selection.

There is a significant lack of standardization among these organizations as 51% of overall poll of respondents indicated that their organization uses multiple mobile device platforms across the enterprise as we can see from Figure 8. In addition to that, 72% of organizations are deploying mobile messaging solutions on multiple types of mobile devices.

That makes it more difficult for these organizations to have an effective device and asset management processes and, also explains why interoperability and compatibility are major challenges.

Figure 8: Mobile Messaging Solutions Deployed
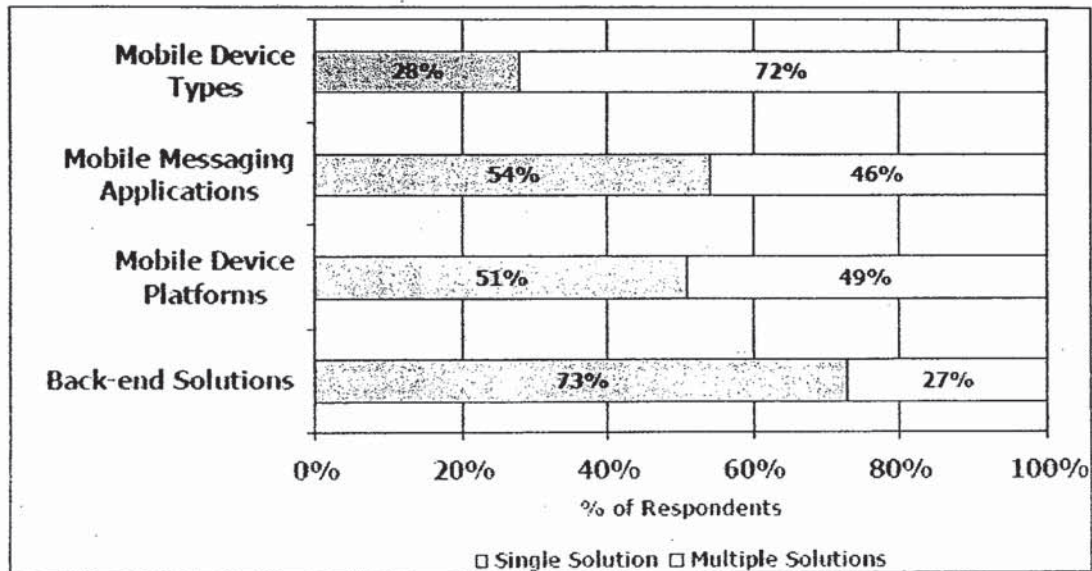
(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

2.2.11 Pressures, Actions, Capabilities, Enablers (PACE)

Table 7 shows the major pressures that drive adoption of mobile messaging solutions for enterprise. These pressures are matched up with specific strategic actions, organizational capabilities, and technology enablers that enterprises are using to address these pressures and improve their performance. Leading organizations are not evaluated by types of pressures they are facing, but by actions they are taking, capabilities they are developing, and technologies they are leveraging to respond to these pressures.

The table shows the pressures our survey respondents highlighted as most critical and the strategic actions, daily capabilities, and enabling technologies the best in class use to overcome those challenges. Readers are encouraged to evaluate their own organizational priorities as a benchmark and to help create plans for actions going forward.

Table 7: PACE (Pressures, Actions, Capabilities, Enablers)

Priorities	Prioritized Pressures	Prioritized Actions	Prioritized Capabilities	Prioritized Enablers
1	Ability to react more quickly	Increase accuracy and speed of information flow along the supply chain.	Providing push messaging e-mail capabilities.	Push Email solutions, PDAs, Mobile CRM
2	The need for strengthening collaboration with the organization	Enable virtual teams within the company	Providing mobile access to my organization's intranet.	Intranet, Online Enterprise Collaboration Applications
3	Pressure to make better business decisions, faster, based on real-time data.	Enable mobile decision makers and knowledge workers to access, receive and send data in any format anytime, anywhere.	Mobile communications integrated with database management solution.	Enterprise SMS, enterprise management solutions, MMS and mobile IM, push E-mail solutions
4	Customers demanding shorter order cycle time	Improve flexibility of manufacturing and logistics operations	Measure and improve supplier and delivery responsiveness	An IT-enabled solution that can help provide suppliers and logistics service providers with forward visibility and track delivery compliance
5	Customers demanding reduced prices	Reduce inventory and assets required to produce and deliver product	Minimize kanban size and maximize pacemaker throughput	An IT-enabled solution that can help facilitate process redesign and load leveling of production that takes into account logistics operations

(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

2.2.12 Recommendations for Action

The adoption of enterprise mobile messaging solutions is driven by organizational needs to react more quickly, increase collaboration within the organization, make better business decision faster, and create value for customers. Enterprises are

increasingly adopting many different mobile messaging applications and at the same time unifying them into a single platform that can effectively resolve issues of security concerns, interoperability, compatibility, and device management.

The effectiveness of a mobile messaging implementation depends on the approach that an organization is taking, as well as the key performance indicators that are developed in the planning process. Figure 9 shows key performance indicators that Best-in-Class organizations most frequently use when adopting mobile messaging solutions.

Figure 9: Key Performance Indicators for Measuring Mobile Messaging Value
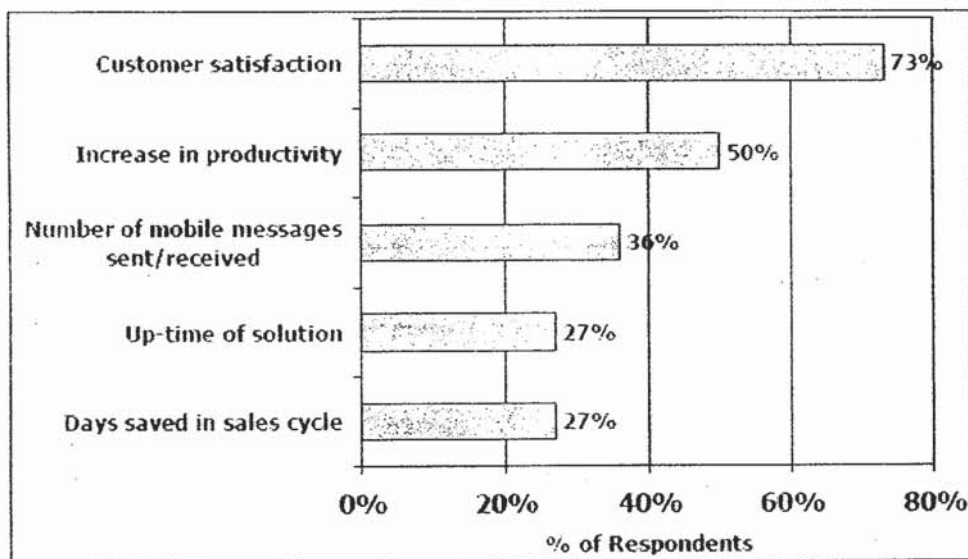
(Source: Aberdeen Group – The enterprise mobile messaging benchmark report)

Whether an organization is trying to gradually move its enterprise mobile messaging from "Laggard" to "Industry Average," or "Industry Average" to "Best-in-Class," the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

1. Develop a strategy to address the major challenges your trying to address through mobile messaging;

Speak with the various departments outside of your IT department to better understand their needs and how they can leverage the ability to communicate wirelessly with colleagues and customers beyond traditional voice communication.

2. Define the business metrics to determine the value of beginning a mobile messaging initiative;

All IT projects need to have clearly defined objectives and ways to measure their success. Enterprise mobile messaging is no different from other mobile projects and deserves a rigorous measurement plan.

3. Learn more about enterprise mobile messaging solutions available in the market and how their deployment can help you achieve performance excellence;

Whether it's by going online to do your own research or working with a third party consultancy, learn more about the wide variety of mobile messaging solutions and how they can improve your organization's workflow. This will help you better understand the value and ROI that organizations can achieve from leveraging mobile messaging technologies.

4. Don't leave mobile messaging solely in the IT department and leverage it across your organization.

Best-in-Class and Industry Average organizations are leveraging the power of mobile messaging to interact more closely with customers and partners

Industry Norm Steps to Success

1. Develop a centralized system for managing your mobile messaging solutions;

Leverage tools that can allow your IT department to centrally update and manage your organization's mobile devices. This will allow for more streamlined device and content management and help enhance the security of the data on those devices.

2. Learn more regarding how integrating a messaging solutions into your organization's business processes can help you develop a competitive advantage;

Mobile professionals do not want to carry multiple devices for the various modes of communication they need. At the very least, leverage one mobile platform to allow for all the applications to reside on one device.

3. Integrate your mobile messaging solutions with other back-end communication solutions;

The ability to connect your messaging solutions to other internal systems, such as CRM or field service tools will significantly improve your customers' experience.

Best in Class Next Steps

1. Continue moving toward deploying a single mobile messaging platform throughout your organization;

A unified mobile messaging platform is a win-win, for both end-users and the IT department as users can experience a single and familiar user interface while making it easier for the IT department to address any challenges that users might face.

2. Develop capabilities to measure the performance of your mobile messaging solutions in real-time.

Whether it's tracking the use of a technology, or the number of messages that are being sent by any given mobile worker, develop a plan that provides you the tools to then develop a ROI model.

3. Improve your organization's ability to measure the ROI from your mobile messaging projects;

Work with the various groups within your organization to develop models that can help you quantify the value of your messaging investments. The more you show the tangible value of these projects, the more your organization will see the value in investing in other mobile communication platforms.

In conclusion, we believe that the above benchmarks should be adopted and applied by every messaging service provider aiming to meet the international standards mainly in enterprises' environment. Nevertheless, this could be considered, even by enterprises a bit theoretical as when it comes to their existing applications, few of their IT infrastructure is capable to unify or allow the adoption of these benchmarks.

Chapter.3. Messaging Essentials & Research Methodology

This third chapter will describe the essentials of an efficient and competitive SMS Service Provider, in addition to an interview with a leading international SMS Gateway 'TynTec' that I had during Barcelona's Mobile World Congress 08. Finally the research will look into the scientific approach and the choice of an Internationalization Process model theory.

3.1 How to choose an SMS Service Provider

An SMS service provider is a business entity that provides SMS messaging services but is not a mobile network operator. It acts as an intermediary between mobile network operators and SMS service users. An SMS service provider signs agreements with many mobile network operators to obtain their permission to exchange SMS messages with their mobile networks, and offers an interface for users to send and receive SMS messages. Some of the interfaces are very simple to use since they hide most of the technical details of SMS messaging. Some others are more powerful that support more features. SMS service providers are also known as SMS gateway providers, SMS resellers or SMS brokers. This is because:

• SMS gateway provider. An SMS service provider provides an SMS gateway for its users to send SMS messages to. This SMS gateway will then route the SMS messages to another SMS gateway or SMSC.

• SMS reseller / SMS broker. SMS service providers buy a large amount of SMS messages from a lot of wireless carriers at a low price per SMS message. They then sell the SMS messages at a price higher than the cost.

1. How much does it cost to send 1 SMS message?

Cost of service is an important factor that you need to consider when choosing an SMS gateway provider for your SMS application. Typically, SMS gateway providers

can be divided into 2 categories in terms of how they require you to pay for their SMS service:

· Credit-based

You purchase a number of credits from the SMS gateway provider. Sending one SMS message will cost you one or more credits, depending on the country you send the SMS message to. For example, sending an SMS text message to India might cost you one credit while sending an SMS text message to the United States might cost you two credits.

· SMS-based

You purchase a number of SMS messages from the SMS gateway provider. The cost for sending one SMS message is the same for all destinations. For example, if you purchase ten SMS messages, you can send at most ten SMS messages no matter the destination is India or the United States.

In general:

Cost per credit (credit-based payment) < Cost per SMS message (SMS-based payment) So, is credit-based payment always better? Not definitely. Let's take a look at the following

example:

SMS gateway provider A (Credit-based payment): Cost per credit = US $0.06

SMS gateway provider B (SMS-based payment): Cost per SMS message = US $0.1

Table 8: SMS Credit based payment comparison

	SMS gateway provider A	*SMS gateway provider B*
To country X	(Suppose 1 credit is required.) Cost per SMS message = $0.06	Cost per SMS message = $0.1
To country Y	(Suppose 3 credits are required.) Cost per SMS message = $0.06 * 3 = $0.18	Cost per SMS message = $0.1

(Source: DevelopersHome.com – 2006)

From the above table, you can see that if your SMS messaging application targets on country X, you should choose SMS gateway provider A since sending an SMS

message to country X with SMS gateway provider A is cheaper. Similarly, if your SMS messaging application targets on country Y, you should choose SMS gateway provider B. If your SMS messaging application targets both countries, then of course you should route all SMS messages destined for country X to SMS gateway provider A, and those destined for country Y to SMS gateway provider B.

For most of the SMS gateway providers, the cost for sending one SMS message decreases with your purchasing amount. For example, the pricing structure of SMS gateway provider B and SMS gateway provider C might be like this:

Table 9: SMS cost v/s volume

Number of SMS messages purchased	SMS gateway provider B	SMS gateway provider C
1 to 10,000	Cost per SMS message = $0.1	Cost per SMS message = $0.09
10,001 to 20,000	Cost per SMS message = $0.08	Cost per SMS message = $0.08
>=20,001	Cost per SMS message = $0.06	Cost per SMS message = $0.07

(Source: DevelopersHome.com – 2006)

For the above table, you can see that if you plan to purchase 1 to 10,000 SMS messages at a time, you should choose SMS gateway provider C since its cost per SMS message is lower. But if you plan to purchase more than or equal to 20,001 SMS messages at a time, you should choose SMS gateway provider B.

2. Are there any hidden costs?

A few SMS gateway providers do not write clearly all the fees involved in the pricing page of their web site. They hide some of the fees so that their SMS messaging service looks cheaper.

When you go checkout, you may find that some additional fees are required. For example, setup fees.

3. Are there any minimum purchase requirements or monthly minimum usage requirements?

Some SMS gateway providers have a minimum purchase requirement. For example, an SMS gateway provider might require you to buy 1,000 credits or more each time. If you are not sure whether your SMS application will be a success, an SMS gateway provider with no minimum purchase requirement will be your choice. You can start by purchasing a small amount of SMS messages or credits. Later as your SMS application gets more users, you can purchase more.

Usually SMS gateway providers do not have any monthly minimum usage requirements.

Monthly minimum usage requirement is more common in SMS messaging services provided by mobile network operators. For example, a mobile network operator might only provide SMS messaging services to customers that have a monthly traffic of, say at least 50,000 SMS messages.

If your SMS application has a very small amount of SMS traffic, an SMS gateway provider with no monthly minimum usage requirement will be your choice. For example, if your SMS application is a remote monitoring system that sends an SMS alert to the system administrator whenever it finds any server is not responding, you should choose an SMS gateway provider that does not have any monthly minimum usage requirements. This is because the servers being monitored should be running properly most of the time and the remote monitoring system seldom sends an SMS message.

4. Will the purchased credits or SMS messages expire after a certain period?

For some SMS gateway providers, the credits or SMS messages purchased can only be used within a certain period. After which the credits or SMS messages will expire and cannot be used any more. If you choose an SMS gateway provider that imposes such restriction, you should be more conservative when estimating the amount of SMS traffic of your SMS application.

5. How good is the SMS gateway provider's network coverage?

Network coverage is an important factor you need to consider, since it is possible that an SMS gateway provider cannot deliver SMS messages to your SMS application's targeted countries or mobile operators. You can very often find a detailed list of the

supported countries and mobile operators on the web site of an SMS gateway provider.

However, it should be noted that the network coverage web page may not be updated. Even if it is updated, some SMS gateway providers cannot guarantee that you can definitely send SMS messages to a mobile operator listed on their network coverage web page. This is due to the fact that an SMS message may be routed to other gateways not controlled directly by the SMS gateway providers themselves.

In addition, it should be noted that for some SMS gateway providers, SMS messages cannot reach mobile phone numbers that have been ported between mobile operators. Many SMS gateway providers give new users a few free SMS messages. You can use them to test the SMS gateway provider's network coverage.

6. How good is the SMS gateway provider's network quality?

A few SMS gateway providers offer a very low price per SMS message, but their network quality is poor and an SMS message may not reach its destination, or it may only reach the destination after a long delay. So, remember to test an SMS gateway provider's network quality. Many SMS gateway providers offer a small amount of free SMS messages to new users. You can use them to test the network quality.

Some SMS gateway providers offer several message routing options. You can decide whether to route SMS messages through more reliable but more expensive networks, or less reliable but cheaper networks.

7. Is the protocol / interface you intend to use supported by the SMS gateway?

Protocols / interfaces commonly supported by SMS gateway providers for sending and receiving SMS messages include:

· **HTTP**. It is the most commonly supported protocol for sending and receiving SMS messages. It is very simple to use.

· **HTTPS (HTTP + SSL encryption)**. Data transmitted over HTTP is not secure. If you do not want your data to be seen by others on the Internet, you should use HTTPS instead. With HTTPS, data are encrypted before transmitting over the Internet, thus protecting the data from eavesdropping.

· **XML over HTTP / HTTPS.** One or more SMS messages are put in an XML file and uploaded to the SMS gateway provider's server. XML over HTTP / HTTPS is a better choice than HTTP / HTTPS for sending bulk SMS messages since it enables the submission of a large amount of SMS messages in a single HTTP request.

· **SMTP (email to SMS / SMS to email).** Choose SMTP if you want to send or receive SMS messages in the form of email.

· **FTP**. One or more SMS messages are put in a text file and uploaded to the SMS gateway provider's FTP server. Like XML over HTTP / HTTPS, FTP is a better choice than HTTP / HTTPS for sending bulk SMS messages since it enables the submission of a large amount of SMS messages in a single upload.

· **SMPP**. The SMPP protocol is usually used by advanced users. It is a binary protocol for communicating with SMSCs (SMS centers) and SMS gateways. SMPP is suitable for sending and receiving bulk SMS messages.

An SMS gateway provider usually supports only a subset of the above protocols / interfaces. A few SMS gateway providers also provide their users a COM object free of charge. You can integrate the COM object into your ASP pages or Microsoft Windows-based programs (COM is a Microsoft technology) and call the methods of the COM object to submit SMS messages to the SMS gateway.

8. Is the SMS gateway provider's API well documented and easy to use? Is there any sample code provided?

Well-documented APIs (Application Programming Interfaces) and sample code are invaluable to developers. They can help save a lot of development time.

One good use of the API documentation during the SMS gateway provider selection process is to check whether an SMS gateway provider supports a particular feature required by your SMS application. For example, to find out whether an SMS gateway provider supports the sending of concatenated SMS messages, you can check the API documentation to see if there is a description of the commands and parameters for sending concatenated SMS messages.

Some SMS gateway providers require you to register an account or make a purchase before you can download the API documentation or sample code from their web site. Such SMS gateway providers are less preferable.

9. What payment options does the SMS gateway provider offer?

Very often SMS messages or credits are purchased from a web site. So, most SMS gateway providers support online credit card payment. Some also accept PayPal, check payment, direct deposit or wire transfer.

10. Is it easy to manage your account? Can you easily check the number of credits or SMS messages left in your account?

Most SMS gateway providers provide a web-based account management system. The basic functions of the account management systems provided by different SMS gateway providers are more or less the same. For example, most of them allow you to check the number of credits/SMS messages left in your account and buy new credits/SMS messages online. The difference is in ease of use. Some SMS gateway providers offer an account management system that is easy to use and learn. The user interface is clean and intuitive. The menu items are well organized. Plenty of hints and tips are available. Some wizards are provided to guide users through a process step by step. These features help you work more efficient and make fewer errors.

Some SMS gateway providers' account management system supports more features than the others. Here are some examples:

· **Access via HTTPS (HTTP + SSL encryption)**. Some account management systems are accessible via HTTPS. With an HTTPS connection, the data transmitted between your computer and the web server over the Internet is encrypted. So, your data (for example, the user name and password you entered in the login page) is protected from eavesdropping.

· **IP locking**. Some account management systems allow you to associate a few IP addresses to your account. Only computers with those IP addresses can send or receive SMS messages via the SMS gateway provider. This feature enhances your account's security.

· **Low credits/SMS messages alert**. Some account management systems will send a text message to the email address or mobile phone number you specified when the number of remaining credits/SMS messages in your account is lower than a certain value.

· **Detailed reports**. Some account management systems provide detailed reports of the SMS messages sent and received. You can request reports of a certain day or date range. The reports usually include fields such as the total number of SMS message sent or received, the date and time that an individual SMS message was sent or received, and the originating/recipient mobile phone number. Some account management systems also allow you to download a report as a CSV (Comma Separated Values) file or Microsoft Excel file, which can be imported into a spreadsheet program to do things such as generating charts from the data.

• **Sub user's management**. Some account management systems allow you to add sub users to your account. You and the sub users share the same account but they use their own user name and password. You, as the administrator, can view reports of the SMS messages sent and received by a certain sub user. The ability to add sub users is particularly useful to large companies where many applications or staff members need to send or receive SMS messages.

· **SMS message routing options**. Some SMS gateway providers offer several message routing options that can be set or changed with their account management system. For example, an SMS gateway provider might allow you to specify:

· whether to route SMS messages at a certain cost (sometimes you may not want to allow your staff members to send SMS messages to destinations that cost too many credits),

· whether to route SMS messages to a certain destination (suppose your company sets up an SMS messaging system for staff members to contact clients in the UK, you may want to disable the sending of SMS messages to other countries),

· which network to route SMS messages through (do you want to route SMS messages through more reliable but more expensive networks, or less reliable but cheaper networks?).

11. Does the SMS gateway provider provide any free SMS messages for testing?

Needless to say, you must test an SMS gateway thoroughly before you can know whether it is suitable for your SMS application. As mentioned earlier, you should test whether you can successfully send SMS messages to or receive SMS messages from your targeted countries, mobile operators or mobile phone numbers through the SMS gateway provider. You should also test the SMS gateway provider's network quality.

It will be great if the SMS gateway provider provides some free SMS messages for testing.

However, it won't cost you too much even if you pay for the testing SMS messages yourself, suppose that the SMS gateway provider does not require a minimum purchase of, say, 100,000 SMS messages.

12. Does your SMS application require 2-way SMS messaging services?

SMS messaging services can be grouped into two categories: 1-way and 2-way. 1-way SMS messaging services allow you to send SMS messages, while 2-way SMS messaging services allow you to send and receive SMS messages. All SMS gateway providers provide 1-way SMS messaging services. However, only some of them provide 2-way SMS messaging services. The reason is that it is technically more difficult for an SMS gateway provider to enable its users to receive SMS messages than to send SMS messages.

13. How good is the SMS gateway provider's support service?

A good SMS gateway provider should have a support team that has a complete understanding of its system. The team members should be able to answer and tackle all sorts of questions and problems. In particular, they should be familiar with compatibility issues related to different mobile network operators. The support service's quality is a reflection of the company's quality. To find out how good an SMS gateway provider's support service is, one way is to email a question to the support team. Then ask yourself the following questions:

· Do they reply?

· How long does it take for them to reply?

· Does the reply answer your question well?

· Are they familiar with the topic?

· Ask some follow-up questions. Do they have patience? Does the reply answer your question well?

Most SMS gateway providers provide support service by email. If you prefer telephone support service, you should choose an SMS gateway provider that provides a customer support phone number.

3.2 Interview with TynTec

3.2.1 About TynTec

TynTec is a mobile messaging service provider, offering powerful SMS functionality to operators, enterprises, aggregators, ISPs and message resellers. Through partnerships with mobile operators the company has unique, multiple points of access into the deep level (SS7) mobile telecoms network, enabling it to offer a new level of quality in messaging services.

TynTec offers a range of services that leverage its network access including outsourced operator messaging services, wholesale SMS and enterprise SMS.

TynTec guarantees the delivery of messages in maximum 15 seconds in more than 340 networks worldwide. For every message sent a confirmation of receipt is delivered to the SMS sender, and also relevant information such as status, availability and network of mobile phones is available to optimize SMS routing.

To provide such reliability and security, TynTec owns a proprietary SMS-C and has multiple access points into the deep level mobile telecoms (SS7 connectivity) through

mobile network partners Manx Telecom (Isle of Man, UK), Digicel (Jamaica), Alands Mobiltelefon (Finland) and CTM Macau (China).

The company was founded in 2002 and is headquartered in the UK with offices in London, Douglas, Munich, Dortmund and Singapore. TynTec works with a wide range of mobile operators and major global businesses including O2, Accenture, British Airways and Skype.

3.2.2 Interview

An interview has been conducted during Barcelona's Mobile World Congress in February 2008 with Ashley Bewick, Sales Manager at TynTec.

For TynTec, the expansion strategy been first focused on the technical aspect of the business by increasing their roaming partners to have more coverage and redundant routes into most networks.

As of the sales approach, it has been by telephone sales. Then they started to grow and opened an office in partnership with a small company in Singapore, then Australia, and soon Dubai to have a larger presence in different countries. In addition, they appointed a Global Sales approach where Sales Executives travel to the different offices and visit larger customers in the regions. This is how they handle important accounts, either by regular visits or by sending a representative who is the closest in proximity to client's office.

As for the price competition, knowing that TynTec prices are quite expensive if compared to other service providers, Ashley Bewick considers that their prices more expensive in some area only. They do not see the pricing as a huge barrier as they guarantee the delivery of messages in under 10 sec and state this in a Service Level Agreement (SLA). They see that if customer needs quality, he will pay for it.

Back to the technical side, specifically the relation with mobile operators and interconnectivity, TynTec has several and contingency routes to assure message, so if

they get blocked than they have a back up. Mobile operators are not always happy with this 'but there is not much they can do'

In the case where clients overwhelms a network with excess of bulk SMS that pushes this network to block their route. TynTec assures that this happens all the time. they give their customer a warning and if they are abusing the routes they even block their client. Bewick sees that 'this is the nature of the messaging businesses.

It is worthwhile to note that TynTec have their own SMS_Center that is what makes TynTec unique in the market place.

We conclude that TynTec is assuming all messaging business risks in its technical aspects. The expansion approach has been to gradually open offices in partnership with existing players in Singapore, Australia, and soon Dubai to have a larger presence in different countries. Still, Global Sales visit larger offices and large customers in every regions to maintain a sustainable relationship.

3.3 Selection of Research Method

The theoretical framework for this thesis is mainly collected from an empirically well tested theory about the internationalization process of a firm. The question that should be answered is how companies are internationalizing into new markets, and why they are doing it in a certain way. The study of two service companies has been conducted as a framework for investigating and analyzing the empirical material. Thus, the theory provides a tool for what is to be observed and what information is to be collected.

The paper treats a mixture of *Qualitative & Quantitative as a research* method to. *Qualitative*, normally aims to analyze "soft data" in forms of words rather than figures from questionnaires (Bryman, 2006 p 249). Babbie (1983), for example, has defined qualitative analysis as "the no numerical examination and interpretation of observation for the purpose of discovering underlying meanings and patterns of relationships", This method is used in the first chapters of the research, in the model and the empirical findings. However, *Quantitative* method was adopted in the

remaining of the research due to numerical representation and manipulation of observations and for the purpose of describing and explaining the phenomena that those observations reflect.

3.4 Data Collection

The research looked in Yin (1994) to find a case study that was the appropriate research strategy for us to conduct. "In general, case studies are the preferred strategy when "how" and "why" questions are being posed, when the investigator has little control over events and when the focus is on contemporary phenomenon within some real-life context." (Yin, 1994, p. 1) Due to the type of questions I have asked ourselves in the problem statement, how companies internationalizes, How PowerMeMobile is going to internationalize and why it does it in a certain way, I considered a case study to be most suitable. Also the fact that I needed to focus on a continuously on-going event, the internationalization process, a real-life phenomenon hard to distinguish from its context, made the choice fall on a case study.

3.5 Primary and Secondary Data

As much information about a few case companies was to be collected, this paper gathers primary data in a qualitative manner. A structured interview guide with open overall questions, where the theory has worked as a source of inspiration, was used. We carried several interviews among international messaging players, as described above and others with players in the Egyptian market in order to collect the maximum amount of data. The purpose for this choice of interview technique was that I neither wanted to steer the respondent too much with the risk of loosing valuable information, nor to make it too informal as it was necessary to be able to analyze the answers against theory (Jacobsen, 1993). This approach also gave me the possibility to follow up with additional questions to gain a deeper understanding or to clear up eventual misunderstandings.

The secondary data has been collected through extensive literature search in libraries and databases. Books, web pages, journals, newspapers, magazines, company material they have all been under our magnifying glass.

3.6 Method for Analysis

Throughout the working process, all parts of the thesis have been worked simultaneously. Along the way, we tried to see what consequences the result of the interviews would have on future analysis and which possible conclusions could be drawn... This research relates the data gathered from case studies and interviews to some of the theory's proposals about the internationalization process of a service firm.

3.7 Validity of Data and Analysis

This thesis has been conducted to be as trustworthy as possible, although findings have not been actually measured for validity and reliability. We strongly rely on daily market insights and latest messaging trends and constraints thru interviews, international messaging events and reports. We also wanted to interview a local messaging player, which would have increased the validity of the data collected but the contact didn't go thru.

3.8 Choice of Literature

Apart from the scientific approach it is important for you as a reader to understand what criteria we have had when selecting theories and literature sources.

As recommended (Saunders, Lewis & Thornhill, 2007) we obtained an overview of chosen subject for our master thesis by reading newspapers, searching the internet and studying current internationalization books and scientific articles. Furthermore, discussed the theories and researchers that we found appropriate, interesting and relevant for our topic. Studied the researchers and their work but also their references in order to get hold of the primary source in each theory. Our main aim during our thesis work has been to, as far as it is possible; avoid using secondary sources since

we wish to interpret each source on our own. However; when the original author/article was not found, the secondary source have been used.

Some of the search words we used as a start, to find relevant theories were; Going *international, the internationalization process* and *Going Global*. Quite early in the search process we found Johanson and Vahlne and their "Uppsala model" being a reoccurring topic in the internationalization theories. The model as it was presented in 1977 was examined, criticized and developed in articles by the same authors as well as others within the same field of research. The more current theories concerning today's companies and their way of working the market was discussed and the concept *born global* or *born global firms* came in to light and was then searched for. After realizing the importance of networks, we searched for additional theories using search words such as *networks* and *relationships* in combination with the words above.

3.9 Critical Review of Literature

We consider it necessary to direct some criticism towards our selection of theories in order to see if the material provides the reader with a correct picture of what our research aim for.

As previous mentioned when searching for literature our aim was to go deep and use only primary sources. Hence, we went deeper and searched for the initial sources in books and articles. This is of importance since the more referenced a primary source is, the more credibility can be applied to the statement. However, some of the theories in their original form might be understood as a bit out of date. We therefore presented the original theories, criticism directed to them and then improvements and more current research, this way we tried to balance old theories with new updated research on the topic to see how the research field developed.

We mention briefly other internationalization theories and these could of course had been developed further and actually involved and tested on our focus company. Here we have to say that lack of time restrained us from performing an even broader study of internationalization theories in relation to born global companies.

Chapter.4. Findings and Strategy

In this Chapter, there will first be a short presentation of PowerMeMobile and the steps that should be taken to meet global messaging challenges. On the next level, we'll review the choice of Cairo as a new geographical location for a representative office or partner. A Study of the Egyptian Market potential, the industry, competition and especially the mode of entry throughout a new approach...

4.0 PowerMeMobile

Established in 2001, PowerMeMobile is a private Lebanese corporation that delivers reliable, carrier-grade, mobile solutions and content creating new business opportunities for mobile operators, service providers and corporates.

PowerMeMobile's fully managed offerings are flexible and can be deployed in a controlled manner according to specific business needs. PowerMeMobile provides complex technology to its customers to better suits their business requirements.

PowerMeMobile's solutions enable rapid deployment of services and content, focusing on revenue growth across all areas of the global mobile data value chain.

The core business of PowerMeMobile is providing solutions and content to mobile operators. Retail Messaging comes as secondary and almost locally restricted activity of the company. As mentioned above, PowerMeMobile has 3 main divisions, Solutions, Value added services and the Retail messaging division. Recently, all the attention went to the Solutions and VAS business where challenges are bigger dealing with the big mobile operators – mainly providing MessageManager, the solution designed for mobile operators to enable PC-to-Mobile messaging. This helped PowerMeMobile to gain a lot of expertise to become recognized as a reliable solution provider and partner.

While all the attention going the solutions and VAS division, PowerMeMobile's retails messaging business remained alive and on top of the rank in the local market. Still, this doesn't mean that this division is operating at its optimum. It appears that

the potential laying in the market, especially in the Middle East region is worth looking at. This may happen provided a restructuring on different levels is performed to face the expansion challenges.

Figure 10: Turnover Repartition

PMM Turnover

Mobile Solutions, 55%

Mobile Content, 25%

Retail Messaging, 20%
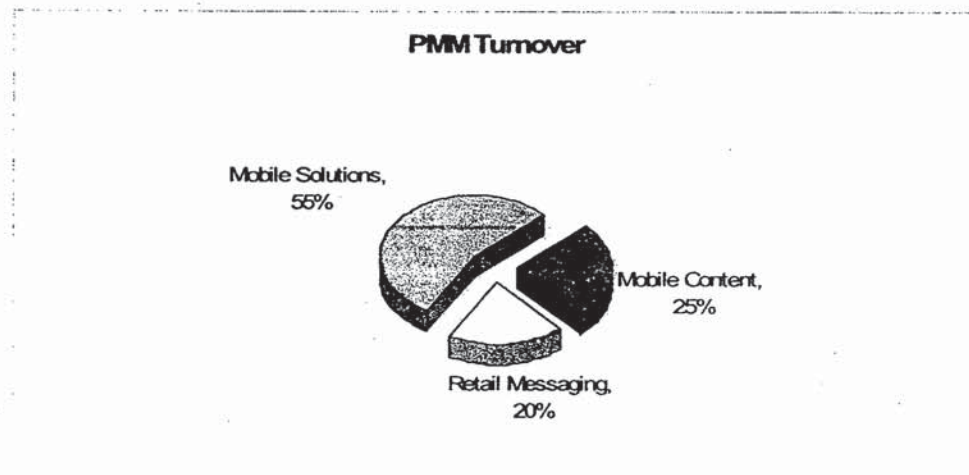
(Source: PowerMeMobile)

4.1 Retail Messaging Department internal Restructuring

The existing retail messaging department is able to manage the current portfolio formed by a significant number of companies and accounts. PowerMeMobile has been able to maintain a long term relationship with its top clients. The retention rate is high due to the following facts:

- MessageManager application: The application itself is user-friendly and system is reliable. Customers rarely complain of a malfunction or message delivery failure or delays. This is due to the redundant infrastructure of the application and the messaging routing, which is local at most of the time. It worthwhile to note that local messaging source are a bit expensive, but reliable since 90% of the traffic is local.

- Good relationship established between clients and PowerMeMobile team creating a friendly environment to add to the good quality of service.

- Price reductions to regular clients with significant yearly volumes.
- Customer care providing full support and follow up to clients' requests, queries or problems even during the holidays.

However, we identify the following weaknesses in this division that can be summarized as follows:

- The system-administration and sales team handle multiple functions and tasks in the company. The effort is just restricted to maintain the system up and solving occurring problems. Advanced messaging concepts are not very welcome for being time consuming to implement, while priority goes to the solutions fully-booked agenda.
- Lack of pro-active sales force. The sales effort is restricted to the incoming requests by clients, without any significant efforts to open new opportunities and new accounts.
- Customer care lacks of training and deep messaging knowledge. Their tools are restricted to administrative stuff without any access to solve problems. However, IT department's response to problems is usually acceptable.
- SMS Marketing requires talented and qualified resources in order to attract big brands by proposing new ideas and concept.
- Absence of a reliable CRM applications for the operation and management team to efficiently follow-up on clients' requests, potential and existing clients.
- The operation management is hardly able to handle the existing clients' portfolio. From ordering to invoicing and collection, team operates at its full capacity.
- Coverage and routing: PowerMeMobile deals with the local SMS routes in order to maintain a high quality service. However, there is a need to have several connections with SMS gateways that offer cheaper prices to deal with competition from a side, or offer clients the choice between levels of services – which will justify the higher prices. This approach is common in European service providers. Those can serve as back-up routes in case of delivery problems to certain networks.

4.2 Staffing and Operation

The existing retail messaging team structure could be described is the following scheme:

Figure 11: Existing PMM Retail Messaging Structure
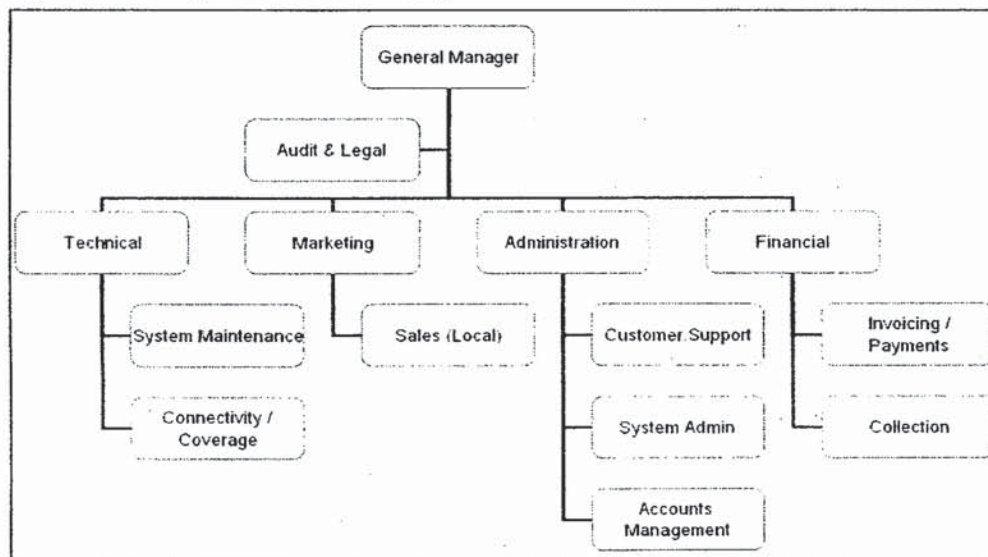
By a quick look at the above organization chart, we identify the following lack of resources and the following deficiencies:

- Absence of a Retail Messaging Department Manager,
- Limited Sales force
- Absence of Marketing
- Absence of Business and Product development
- Absence of Global Sales and Channels
- Absence of Web presence and administration
- Absence of Reporting

It is obvious that in order to face the challenging messaging business expansion and maintain the lead in the current market, a complete restructuring should take place.

Figure 12: Suggested PMM Retail Messaging Structure
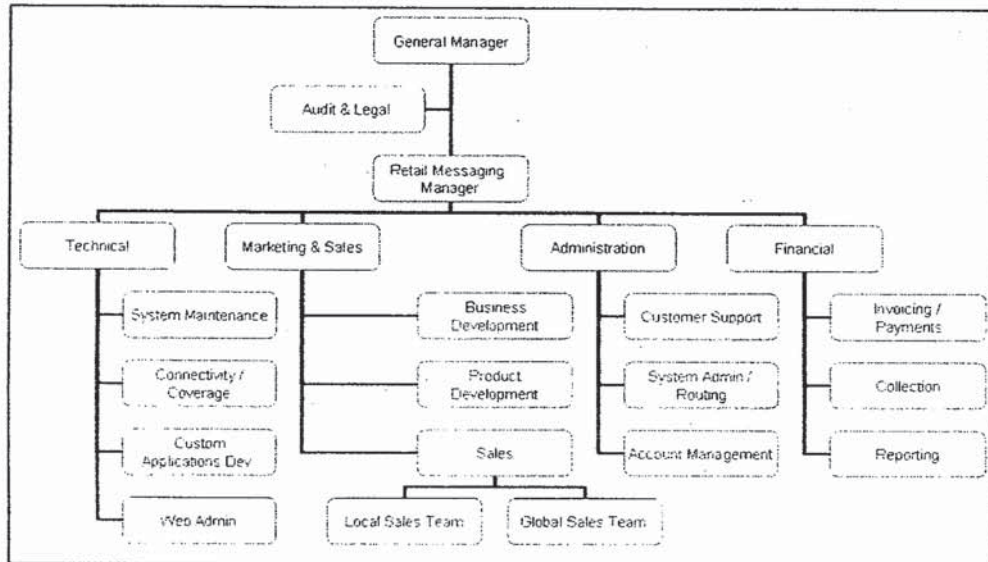
In the above chart, we observe the following enhancement:

> A Retail Messaging department Manager: Obviously, his role is crucial in order to orchestrate the whole business and team while setting the strategy, goals and sales targets in coordination with the company's management.

> At the marketing division, the enhancement came at several stages:

- Developing Business locally and setting the basis to expand globally.
- Developing new messaging products and applications to drag more business opportunities along the mobile marketing evolution. Moreover, handling the marketing and web presence of the unit.
- Increasing the sales team locally and globally

A Marketing and Communication responsible could be added on a further stage, but this task could be handled among the marketing team at the starting phase.

As per the sales, there will be two sales teams: local and global handling clients from abroad along the expansion strategy – evidently coordinating with resellers or sales representatives. It is important to signal that the business development executive will be responsible of creating new business opportunities, studying potential markets and companies, assisting the sales team in handling key accounts. As per the product development, their role will be more technical thru research & development for new applications, creating messaging products that would interest clients, provide the needed backing and material for the sales team to conclude additional messaging deals.

> In the technical division, more resources will be delivering support and flexibility to the marketing in order to create and market advanced messaging concepts; a successful mobile marketing idea needs to be backed by the needful technical implementation and development. This should happen in cooperation with the product development team. Moreover, the web presence will be created and maintained extensively to become a reliable reference for existing and potential clients while being important gate to expand business or a sales channel by itself.

The technical team will be handling the connectivity issues of routing and coverage of networks - an extremely important and vital issue in the messaging business.

The system administration will be controlling the operation and messaging activity of the global gateway and for each account, this to ensure timely and efficient message delivery. In addition to accounts' settings, routings, toppings and clients' requests, an important challenge will be the messaging network coverage, especially for the non-local accounts. Their main task will be monitoring all messaging routes and reporting any inconvenience. Messaging routes will be evaluated between technical and administration team under the supervision of the division manager in order to choose the best cost effective and reliable routes.

> The financial team will be handling its usual task where will become more difficult following up on global accounts. Here we added a weekly reporting and statistic tasks in order to closely measure the financial figures of the business.

4.3 Technical aspects – Coverage and Networks Interconnections

SMS service providers have 2 main technical challenges:

- To guarantee accurate, secure, traceable and acknowledged delivery of large volume, mission-critical messages to any audience, anytime, no matter how widely or remotely located.

- To make integration of systems to gateway fast and easy, and provide comprehensive documentation, support and testing.

In fact, SMS service providers while executing bulk campaigns may overwhelm operators' SMS Centers causing congestions and SMS delivery problems. Operator's interconnections are based on a kind of equilibrium between incoming and outgoing messages to a certain network. Some networks are currently applying an interconnection fee which charges gateways for not only outgoing SMS, but also for incoming traffic. There is a threat that one operator decides to block a route where incoming SMS volume becomes critical even without prior notice.

Having multiple connections thru different routes could serve as contingency plan to solve such problems, nevertheless, prices may vary from 50% to 100% from one route to another and this may cause serious losses with big bulk SMS deals.

Searching for reliable gateways and redundant routes at competitive price will remain an important issue for bulk SMS providers that they have to live with.

PowerMeMobile applies a safe approach in its coverage policy - that is connecting to local operators' gateways where volumes of SMS become significant. This will ensure a stable and reliable message delivery – even if sacrificing its profit margin.

4.4 Distinctive Abilities

PowerMeMobile's flagship retail messaging product MessageManager provides the opportunity to easily enable PC-to-Mobile communication environment. Its multiple and flexible interfaces are designed to answer any desirable PC-to-Mobile communication model.

MessageManager could also integrate in the daily used softwares by every individual (i.e.: Internet Explorer, Outlook). It also allows access by running the MM software interface or web interface providing MM web access.

MM fulfills all messaging forms to better suit every messaging need, the benefits are:

- User-friendly - MM is easy to run, configure and use
- Accessibility - MM is accessible from any internet connected PC
- Multi-functional interfaces - Responding to all users' needs
- Flexibility - available in API interfaces enabling automated messaging integration in any environment (i.e.: Web-to-SMS Alerts…)
- Reliability - from day one, MM has been continuously updated, debugged and improved reaching a high level of stability and reliability
- Competitive pricing - MM users will experience the cost efficiency of PC-to-Mobile messaging in their one-to-one and one-to-many communications.

The marketing objective of this part is to actively pack and communicate PowerMeMobile's Retail Messaging service to its potential markets, achieve successful market entry therefore maintain continuous market growth.

4.5 Segmentation

PowerMeMobile's retail messaging business is basically endorsed by its messaging platform MessageManager. MM is designed in different interfaces to answer the messaging needs of the corporate level as well as the Personal level.

Communication intensive Institutions and Companies are the target market for MM.

Market Demographics

The profile of MM potential customers consists of the following geographic, demographic, and psychographic and behavior factors:

> **Geographics**

The immediate geographic market is the country of operation, still the market extends to outside this territory since MM is an internet based service

> Demographics

Basic Computer literates

Internet users (i.e.: email)

> Corpo-graphics

Computer enabled institutions

Communication intensive

CRM as a priority in the marketing activity

Market Trends

Messaging is the leading non-voice communication revenue generator. SMS is likely to remain the dominant messaging application for a long time, well beyond 2012 - especially that it has the highest profit margins.

SMS has the widest penetration and highest strike rates, it became a vital medium for individuals as well as institutions relying strongly on SMS communication in their activity.

In the marketing mix, SMS is now positioned among top efficient one-to-one communication means; advertisers are allocating significant budgets to mobile marketing that is providing high ROI.

4.6 Market Comparison, Growth and Aspects

Portio Research forecasts a healthy future for SMS, which remains the star of the data services show with traffic volumes and revenues that continue to confound predictions. Portio Research estimates that SMS traffic will grow to a peak of 3.7 trillion messages per year by 2012.

In fact, the SMS market has gone through several key steps, in a period spanning typically over the last ten years:

A "market launch" phase, characterized in particular by the implementation of interoperability of SMS transport between national operators.

A "wholesale" phase based on the implementation of SMS wholesale agreements between operators and third-parties, which constitutes a basis for the development of Premium SMS market development.

A "mobile marketing" phase, consisting in using SMS as marketing channel to run promotion campaigns, promotion games or TV voting for instance.

An "applications" phase, characterized by the development of diverse SMS applications, such as micropayments, m-banking or location-based services.

As per advertising, SMS is now positioned among top efficient one-to-one communication means; advertisers are allocating significant budgets to mobile marketing which is providing high ROI.

The world Person-to-Person messaging traffic is currently growing fast; still, research shows that the growth of SMS traffic should slow down in 2008-2009, due to market maturity. The growth of Bulk messaging volumes will keep growing on exponential rates.

4.7 Positioning

The marketing strategy of PMM's retail messaging should be based on positioning MessageManager as the 'ultimate tool for PC-to-Mobile SMS messaging'. It is based on the superior performance and features of MessageManager designed for both individuals and corporations operating in any environment.

MM's marketing strategy should raise awareness, interest and appeal to the target market of what MM offers and how it could add value to their operations.

4.7.1 Product

PowerMeMobile's messaging platform MessageManager (MM) offers a multiple options to enable 'business mobilization'. MessageManager primary points of differentiation offer the below features:

- **Full-time access to messaging**. MM is available anytime, anywhere, anyhow. User has freedom to access his MM account and send his message at leisure. Moreover, user can 'time' the delivery of his sent message, allowing him having his message sent while he is away.

- **Enabling One-to-Many Messaging**. MM broadcasts the message in few seconds to thousands of recipients which is practically a vital need to many companies and is not available in any handset.

- **Integration** - the Wide range of MM interfaces makes messaging integrated in commonly used software ranging from Internet Explorer, MS Outlook, Instant Messaging, to the MM software interface, Web interface, in addition to the Application Programming Interface that allows messaging customized integration in any existing application. This customization enables Web-to-SMS features, Automated SMS alerts, Two-way messaging, Mobile Content delivery...

- **Reseller interface** which provides resellers powerful features to better administrate their users' portfolio.

We'll try to summarize retail messaging products into 3 categories:

1. MessageManager Client
2. Automated and Integrated Messaging tools
3. Mobile Marketing

4.7.1.1 MessageManager Client:

The ultimate tool for group or bulk messaging. It enables any organization or individual to do SMS broadcasts in few clicks. MessageManager Client is a user-friendly software that can be downloaded and installed at any PC. It just requires an internet connection and an SMS account access to start messaging immediately. It is the most powerful SMS tool and the best-seller at PowerMeMobile. It provides the following features:

- Full phonebook with Group Support.
- Import Phone Numbers from Excel, MS-Outlook, Lotus-Notes or just any text file.

- Validates Mobile Phone Numbers before Sending.

- Send up to 10,000 SMS in one click.

- Supports sending in English or Arabic, 459 characters in English or 201 characters in Arabic.

- Built-in personalization features automating 10 different fields in every SMS.

- Allows traceability of sent messages via a delivery inquiry service.

- Send deferred SMS with automatic time-difference calculation.

- Empower yourself; set your SMS Sender (originator) to your own brand on company name.

- With your own phone number set as sender, get 2-way communications with your customers.

- Ability to set SMS reminders for events or birthdays for every member in your phonebook.

- Create special message templates to be recurrently used.

- Internal queue allowing offline work.

- Simple and easy to administer and maintain.

- Provides a high level of security by sending messages in encrypted format.

- Resident in Windows Taskbar with a small memory footprint.

- Available 24 hours a day, 7 days a week

4.7.1.2 Automated and Integrated messaging tools

PowerMeMobile provides Application Programming Interfaces (API), which are customizable SMS solutions allowing businesses get mobilized within their existing environment. Applications in which SMS API can be utilized are virtually unlimited. We will detail some common examples.

- Websites offering Web-to-SMS features - It is proven that portals offering Free SMS are attracting a huge number of visitors and subscribers. Mobile Operators offer basic Web-to-SMS features to attract users and visitors to their portals, therefore, increasing interactivity and loyalty among their subscribers

- Web-to-SMS applications can be enhanced with the following features:

- User accounts Creation and Management:

- A Generator of SMS activation codes
- Account Credits or Units system (free and paid credits)
- Account History
- Online purchasing via credit cards
- Delivery platform enabling Mobile Content sales on your website
- Creating 2-way SMS services: 2-way SMS services are unlimited: Users can Pull any information by texting a given number, then the system will query a database and API will generate an SMS-reply with the relevant information. Usually such services are run over Premium short-codes. Examples of 2-way applications include Directory, Movies, and Horoscope.
- Enable Automated SMS Notifications and Alerts: SMS is a very suitable technology for delivering alerts and notifications of important events, because:
    o A mobile phone is a device that is carried by its owner most of the time.
    o SMS is immediate.
    o SMS technology allows the "monitoring and push" of information on a certain event.

PowerMeMobile developed MessageManger ServiceMonitor interface – Upon occurrence of business-critical preconfigured events, the system takes care of delivering the messages, processing the delivery notifications and responses.

ServiceMonitor is a windows service configurable via a simple GUI to monitor one or more databases/tables that matches your filters.

It will require no or very little change company's technical infrastructure and does not require extensive programming know-how.

ServiceMonitor leads to significantly shorter response times to critical situations and helps organizations to master the challenges of real-time processes, such as the banking sector, IT systems, assembly lines, manufacturing facilities and business critical installations.

This software can be the companies 24/7/365 assistant in:

- Constantly monitoring the predefined parameters in specified files;
- Immediately sending an SMS to the person responsible

- Sending periodical SMS to the mobile numbers specified in your databases

It is commonly used for:

- E-commerce and Credit Card Transaction Alerts (most importantly)
- Banks enabling Account Balance notifications
- Insurances enabling Policy expiry notifications
- Stock Markets Alerts
- Breaking news Alerts
- Emergency Alerts
- Remote System Monitoring, generating System-Down Alerts notifying concerned people
- Flight delay notifications
- Email and Fax reception notifications
- Shipment and Courier delivery notifications

4.7.1.3 Mobile Marketing

Along the mobile marketing trend, Consumer Goods distribution companies seek to reach consumers on their handsets too. In addition to what an advertising agency can provide in terms SMS branding and promotions, companies aim to establish real mobile-CRM interactivity with their consumers. This can be managed in-house, by the marketing team itself using MM. Similarly to a clothing outlet that is building his DB and profiting from the mobile marketing advantages, Consumer goods companies are seeking to establish a consumer-base for additional CRM activity. Those can be reached by SMS promotions and companies can even get feedback from their consumers about a given product.

MessageManager could be used to:

- Communicate new items or brands
- Communicate promotional offers
- Branding
- Running On-pack promotions

About On-pack promotions: No need for short codes, procedures and expensive setups to run an on-pack promotion! MM could be available with an Inbox feature allowing 2-way SMS communication. In such case, companies can run on-pack promotions with giveaways, this is done by displaying a number on the pack itself therefore receive consumers' inputs directly in MM's inbox. MM can even internally set auto-reply SMS. A valuable database of participants is gathered to be used for other mobile promotions and further marketing analysis.

4.7.2 Price

MessageManager Client interface described above is offered and installed free of charge. User is only charged for SMS credits purchased. In some cases, user may be charged for multiple originators or known as SMS Sender IDs. Credits are usually on prepaid basis where price goes down with bigger volumes. Users can cut their cost with bigger volumes without incurring any expiry risk as credits purchased have no life span – an essential element in prepaid pricing.

Same applies for MessageManager ServiceMonitor which is offered free of charge too. Usually, ServiceMonitor is an Enterprise tool. It is used mainly by banks or big companies that have significant messaging activity hence purchase big SMS volumes, therefore, the software fee could be disregarded.

As per Mobile Marketing concepts, according to our experience, those are conducted by major brands to raise awareness and increase intimacy between their customers and brands. The traffic generated is not always worth the effort involved by the Service Provider hence this one may not reimburse its implementation expenditures. In these cases, an implementation fee should apply depending on the project and complexity of the campaign.

➤ Per SMS fees

PowerMeMobile uses a credit based system for sending messages. 5 credits (or called netpoints) will generally = 1 message. However some destinations may charge more than 5 netpoints and some may charge 10 or 12 credits per message. This is dependent on the network operators in the particular region.

PowerMeMobile should be able to compete with quality and price – the positioning should be Best Service – Best Price.

➢ Regular and Premium Routes

As described in the network connectivity section, networks charges and routes may be different from a gateway to another. Price strongly depends on the following elements to note:

- Number of SMS Delivered per second
- Networks covered
- Delivery Receipts
- Assistance and Support in case of problems or blockage
- Sender IDs flexibility – or so-called Dynamic sender IDs whereby service provider can easily assign an originator to client hence deliver the message in its name.

Nowadays, in order to cope with price competition emanating from 'weak' gateways and look fair towards clients, many SMS service providers are offering a 2 price schemes whereby user has the choice and is free to compromise price for quality of service and vice-versa. This usually complicates transactions but in the mean time, justifies the higher price paid. Client will be advised about the difference and will be convinced that competitor's low prices are justified. This should be mentioned in the Service Level Agreement (SLA) signed upon purchase.

Currently, PowerMeMobile does not get involved in the low-quality routes game. The priority has always been to quality of service rather than cheap pricing.

The current pricing is the following:

Table 10 : PMM SMS Rate Card

# Of SMS	Cents Per SMS	Value*	NetPoints credited to account
1,000	7	$70	5,000
10,000	5	$500	50,000
50,000	4	$2,000	250,000
100,000	3.5	$3,500	500,000
More	Contact us		

(Source: PowerMeMobile)

The problem in the above rate card is it that does not reflect the price over countries and coverage different pricing. It perfectly fits the local clients.

Moreover, this price scheme looks expensive compared to competition as it uses high-quality routes. This paper recommends having multiple pricings considering different routes hence different levels of services. This would be a clear justification of the surcharge paid knowing that normally, customers will go for the high-quality routes. We suggest the following parameters in an 'Html-calculator' for users to compile their SMS packages upon purchasing.

- Service Level: Premium Routes (More expensive) and Regular Routes (Lower prices)
- Choice of Destinations: This will let the price easier to define
- Volume: Number of SMS that directly affects the total price

Cumulative Pricing: PowerMeMobile applies a cumulative pricing scheme in order to retain its clients and raise the level of fidelity. Clients can benefit from preferential rates based on the cumul of purchase volumes. (i.e.: Client A who purchases 10,000 SMS on date x at 5 US cents per SMS, can benefit on his 2nd purchase of 10,000 SMS from the charge applied to the cumulative volume which is 20,000 SMS priced at 4.5 US cents.) This is a great formula offering regular clients important price discounts.

4.7.3 Channel

The existing Retail Messaging department is based on direct sales thru sales representatives and a couple of resellers abroad.

In fact, if we look at the top SMS gateways in the region, we see that their main sales streams come from:

Direct sales: This to remain the main sales generator. To note that the existing sales force at PowerMeMobile is reactive. It responds to requests submitted thru existing clients or referrals. To add an absence of global sales team or business development. The sales team has to me extremely motivated with incentives and should be challenged with sales targets and bonuses for innovative projects.

Web portal: This should be carefully treated. The web portal for an SMS retailer or service provider is its store, showroom, support, reference and point-of-sale. This portal should be clear and simple yet include all the needed information so that user can find all what he's looking for seamlessly. The following sections should be available:

- About the company and its history in the business
- The available products
- A listing and documentation about the available Messaging applications with an emphasis on the most powerful MessageManager Client interface.
- Coverage and pricing calculator
- Direct free SMS coverage page to test SMS delivery
- Direct access for online chat with sales and support team
- SMS Marketing section with white papers and studies
- Account registration page
- A complete online ordering and purchasing facility
- Success Stories
- Contact us with regional reseller presence

Partners, resellers or regional offices: PowerMeMobile's flagship product and core business is providing its messaging solutions – namely MessageManager Platform to mobile operators. This product is a complete PC-to-mobile messaging solution designed for mobile operators to enable bulk, corporate and end-user messaging while centralizing the whole spectrum under one umbrella named MessageManager. This situation placed PowerMeMobile as enabler and consultant of the messaging business of the mobile operator, starting from Technical implementation and maintenance, passing thru operations and management to sales and marketing.

At this stage, PowerMeMobile found itself involved with the mobile operator in building a successful messaging path and consequently, unable ethically and commercially to step into the retail messaging level of the operator's territory. In fact, this at least while negotiating and implementing the platform. PowerMeMobile will not compete with its existing clients or at least deploy an application that is being sold to the mobile operator at significant amounts. This will be one of reasons that PowerMeMobile prefers to have either resellers operating in countries where MessageManager is deployed (i.e. Kuwait) or as per this paper, go towards operations where potential is significant and where there is no interest or talks about an eventual deal to buy and license MessageManager by the operator. This paper will look into opportunities of expansion into Egypt, which will be thoroughly examined in the coming sections.

4.7.4 Promotion and Communication

On the marketing side, PowerMeMobile has established a good reputation in the local market - especially through its subsidiary Naharnet. Still, the marketing approach is different when targeting the regional and global market. If we take the biggest global messaging providers – such as Clickatell, we notice that they built a brand name thru online and search engines or Google advertising and thru their web presence. By the simple fact, Google any SMS related keyword will direct you to Clickatell's site. Tyntec has gone towards messaging associations – as its target market is more messaging retailers (B2B) rather than corporates (B2C).

This paper will list few branding and promotion ideas – the major emphasis and positioning to be on the quality of service, business expertise and good price. The focus should remain on the key application MessageManager Client interface, which is according to all experts, the most powerful, complete and user-friendly bulk messaging tool. This should be the differentiating factor of PowerMeMobile's retail messaging division.

- Online advertising: We recommend online banners on business websites such as AMEinfo.com, zawaya.com; those are the leading business websites in the Middle East. The banking websites could be a good place to advertise mobile banking services.

- Search Engines ads: Namely Google. SMS is one of the most expensive keywords over Google, however, if one searches for an SMS gateway on Google, he will get all the gateways of the world without even seeing any regional gateway; This is a direct indicator that existing messaging service providers aren't really bullish in terms of advertising compared to the global ones. PowerMeMobile can profit from this gap by running consistent Google ads.

- Exhibitions: An efficient promotional investment could be exhibiting in Gitex Dubai which is actually the biggest business and technology event in the Middle East. This potential event to promote PowerMeMobile's messaging services. In fact, PowerMeMobile exhibits in many GSM congresses (Dubai, Barcelona, Cape Town) but showcases only its solutions and content services since those events are mainly organized and attended by mobile operators – Retail messaging has a different target audience.

- Free SMS packages to corporates: MessageManager is an 'addictive' application. PowerMeMobile's statistics show that MM is a important reason for retaining customers – it is simply because users who experience messaging

with MM can hardly drop it for another application because of it user-friendly interface and featuring tools.

- Referral incentives: this would be a good idea and to promote MessageManager – every MessageManager user can recommend it to 5 clients for instance; those will be offered a small volume of SMS in order to test the application. Moreover, clients referring MessageManager to others will benefit from free SMS packages to be added to their accounts.

4.8 Players and Competitors

There are a huge number of SMS service providers internationally. We'll list below the main players.

- Airweb - http://www.air2web.com/
- Clickatell - http://www.clickatell.com/
- Mblox - http://www.mblox.com/
- TynTec - http://www.tyntec.com/
- SMS2email - http://www.sms2email.com/
- Commzgate.com - http://www.commzgate.com/
- Quios - http://www.quios.com/
- Tm4b - http://www.tm4b.com/
- Kapow - http://www.kapow.co.uk/
- My SMS Address - http://www.mysmsaddress.com/
- Mx telecom http://www.mxtelecom.com/
- SMS Italy - http://www.smsitaly.com/
- SMS Point - http://www.smspoint.net/
- SMSxhange - http://www.smsxchange.com/
- SMSGUI - http://www.smsgui.com/

The below table is a comparison between the top 3 international messaging gateways.

Table 11: Comparison table of leading international messaging solution provider

	Air2web	Clickatell	Mblox
URL to the SMS gateway provider's web site	www.Air2web.com	www.clickatell.com	www.mblox.com
Credit-based or SMS-based?		Credit based	
Cost for sending SMS messages		0.044 - 0.034 Euros per credit Buying 500000 or more credits: the price is not available and you need to contact their staff. Sending one SMS message requires 0.8 to 3 credits	Economy option: £ 0.031 - £ 0.021 per SMS message Standard option: £ 0.12 - £ 0.027 per SMS message Premium (UK only) option: £ 0.12 - £ 0.037 per SMS message
Setup fees for 1-way SMS messaging		none	
Minimum purchase requirements		You need to buy 200 credits. You need to have at least 5000 credits in your account before asking them to set up the SMPP API for you.	
Monthly minimum usage requirements		None, except the SMPP API, where a monthly minimum usage of 5000 credits is required.	
Will purchased credits or SMS messages expire?		An account will expire if no SMS message is sent within 6 months.	
Payment options		Credit card, Euro deposit, UK deposit, South African deposit, PayPal and wire transfer	
Network coverage	Covers all major US wireless carriers and more than 470 wireless carriers worldwide. You need to contact their staff for the details.	Complete	Only geographical coverage is available on the website
Protocols or interfaces supported	HTTPS, SMTP, SMPP and XML	HTTP / HTTPS, SMTP (email to SMS), SMPP, XML, FTP and COM Object	MSIP (mBlox Simple Interface protocol), SMPP / SMPP over SSL and XML
API documents		Available for download without account registration.	Staff has to be contacted for the interface specifications
Number of free SMS messages or credits		10 credits upon activation. 5 credits for Messenger-PRO users. NO free credits for the SMPP API and 2-way SMS	
2-way SMS messaging: SIM card hosting			
2-way SMS messaging: shared virtual mobile number (keyword sharing)			

(Source: www.developershome.com)

In the Middle East, the number of SMS Retailers is large but they are mostly small enterprises acting in their domestic markets. In order to evaluate their

competitiveness, we'll refer to Chapter 3 'messaging essentials' to draw a comparison map. Since we're targeting the Egyptian market, we'll limit this to Egypt's main messaging players.

Table 12: Comparison table of Egypt's messaging providers

	Cellent	SMSCairo	EgyptSMS	Advansys
Website	www.cellent.com	www.smscairo.net	www.egyptsms.com	www.advansys.net
Company origin	Indian based company with a representative in Egypt	SMS reseller Company is local based in Cairo	a Local well established SMS Gateway	A UK based company with strong presence in Egypt
Price (10,000 SMS)	$0.03	$0.04	$0.05	$0.10
Prepaid / Postpaid	Prepaid / Postpaid	Prepaid	Prepaid	Prepaid
Hidden costs	Not Applicable	Not Applicable	for SMS Marketing	Not Applicable
Minimum usage requirements	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Credits life span	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Network Coverage	Wide / Not detailed	Not detailed	Well detailed	Wide / Well detailed
Network Quality	Unknown	Unknown	Locally Acceptable	High
Quality of Application	Fair	Good	Good	Good
Choice of Interfaces	XML, Soap, SMPP, SMTP	Web interface, XML, Soap, SMPP, SMTP	XML, Soap, SMPP, SMTP	XML, Soap, SMPP, SMTP
Desktop Client SMS Interface	Not Available	Not Available	Not Available	Not Available
API documents and guides	not Applicable	not Applicable	not Applicable	not Applicable
Online Purchasing	Visa, MasterCard, Paypal, Amex	not Applicable	not Applicable	Visa, MasterCard, Paypal, Amex
Account Management tools	Not Available	Available	Restricted	Restricted
Sub Users Management	Not Available	Not Available	Not Available	Not Available

(Source: Edgar Maroun: Expanding Retail Messaging at PowerMeMobile)

4.8.1 How does PowerMeMobile match and compete

PowerMeMobile's ability to compete technically is superior. Its flexible applications and multi tools will be the main key selling point. The main challenge would be price competition – PowerMeMobile will provide a reduced price scheme to the Egyptian market – not far below what's in the market yet not more expensive. Still, the key selling point would be quality of service when targeting enterprises. End-user targeted products (such as MM boxed) should be very competitive price wise.

4.9 SWOT Analysis

Strength

- 7 years of Experience in the Messaging Business
- Powerful Desktop Client interface
- High quality and renowned messaging applications (MessageManager)
- Applications that fits end-users and corporates
- Highly qualified resources
- Applications recognized by mobile operators
- Redundant applications
- Low cost of operation
- Customization ability of products
- Knowledge of the region's culture
- In-depth understanding of messaging constraints
- Good relationship with mobile operators
- Strong relationships based on technological expertise, business understanding and service excellence.

Weakness

- Localization of the Product for new Market
- Local players' competition.
- Complex implementations that could exhaust team

- Operators who purchased MessageManager platform could feel uncomfortable with small SMS resellers providing almost same application
- Cultural resistance

Opportunities

- Increasing demand of messaging application
- Increasing messaging volumes to benefit for the Economy of scales advantage in cutting SMS cost
- Messaging become another major communication medium that is here to stay and generating highest revenues after voice
- Latest CRM applications strongly relying on mobile messaging
- Increasing awareness of mobile marketing
- Facility to expand thru agents, resellers or representatives
- Increasing number of mobile subscribers/consumption by clients
- Increasing internet penetration rate
- Clients are more comfortable to collaborate with experienced players on operators' scale with uniform high quality and security processes across the enterprise.
- High rate for international competitors
- Local competitions is minimal
- Clients are demanding delivery excellence from distributed business units using uniform processes globally to deliver a high quality of service

Threats

- Permanent Network coverage problems
- Price pressure from Indian gateways
- Increased interconnection SMS charges
- Increasing number of messaging service providers
- Risk of unforeseen general macro-economic factors and political disorder

4.10 Development across countries

Traditional companies normally starts expanding internationally by doing services to similar or nearby countries (Sharma & Blomstermo, 2003) this is according to Johanson and Vahlne (1990) because of the impact of psychological distance where the flow of information is disturbed by differences in language, culture, political systems etc. This factor is less visible in markets and countries geographically and psychologically close to the home market (Dow, 2000; Brewer, 2007).

As a mobile service provider, PowerMeMobile established business relationships in almost all major markets in its geographic neighborhood, notably United Arab Emirates, Kuwait, Saudi Arabia, Jordan, Syria, Bahrain and others sharing very similar market characteristics, resource profile requirements, knowledge of the local environment. Business varies between solutions provided to mobile operators, to value-added services and content and retail messaging thru resellers. One big potential and important market that PowerMeMobile still did not develop any business in is Egypt.

4.10.1 Reasons why Egypt is a Desirable Business Location

- Steady year-on-year capital appreciation of between 20-30%
- Beautiful, well established tourist hotspots suitable for varied tourist interests, from excellent diving and snorkeling to cultural and historical locations
- Steady annual growth in tourist figures
- Low taxes
- No capital gains tax
- Foreign investors are regarded by the government as a big investment opportunity and laws have recently streamlined procedures, making the purchase procedure easy.
- Strong economic growth and increased investment in infrastructure are boosting the property investment market as a whole.

- Warm desert climate with temperatures ranging from 14°C in winter to 30°C in summer creating a year-round tourist season
- Politically stable country
- Increased inward investment, creating a rich investment climate.
- Well renowned developers are creating luxury resorts to cater for Egypt's new influx of international tourists
- Easy air access from many European destinations makes Egypt an ever popular medium haul holiday location
- Cairo International airport is being modernized and a new terminal is to be built by early 2007
- Low cost of living and maintenance costs
- English is widely spoken, after Arabic

4.10.2 Market Study

Egypt has seen strong macroeconomic growth for a second consecutive year, after a period of stagnation from 2000 to 2003. Real GDP growth in the fiscal year (FY) 2005/2006 (July 2005 – June 2006), was 6.9%, up from 4.6% in FY 04/05. Key to this growth is the natural gas sector, which grew by 75% in FY 05/06 (in current prices), compared to 20.6% in FY 04/05. Construction grew 18.2% in FY 05/06 compared to 8.7% in FY 04/05, the second fastest-growing sector. In line with expectations, private sector and household-driven demand continued to rise throughout 2006. We expect continued growth, given the government's reform program to promote the private sector, coupled with the boom in the natural gas industry. Unemployment remains a challenge, requiring breakthrough mechanisms for job creation levels exceeding the growth rate of the labor force, about 600,000-700,000 new workers annually. Official unemployment numbers show a slight increase from 10.5% in FY 04/05 to 10.9% in FY 05/06, though independent estimates place it at about double.

1. Economic conditions in Egypt are favorable and the economic reform program is moving forward. A new cabinet led by Prime Minister Ahmed Nazif, first appointed in 2004, was reappointed in December 2005 following parliamentary

elections. The economic team was also reinstated, reaffirming the government's commitment to economic reform. The election resulted in a parliamentary majority for the ruling National Democratic Party, with members of the Muslim Brotherhood—who ran as independents—winning about 20 percent of the seats in parliament.

2. The government's reform program since 2004 has been addressing most of the areas regarded as critical in recent Article IV consultations, often involving Fund technical assistance. During 2005, the authorities made substantial progress in the areas of tax reform, public finance management, monetary policy, privatization, and financial sector restructuring. However, the Fund has stressed the need for ambitious fiscal adjustment, which the authorities recognize and accept.

3. Investor confidence in the direction of economic policy remains high. The reform progress achieved to date has raised and improved Egypt's profile in international capital markets. Foreign direct investment and inward portfolio flows have risen sharply. Economic growth has accelerated and the balance of payments remains robust. Intermittent security incidents add some downside risk to the economic outlook, but their impact so far has been relatively minor and short-lived.

4. Increasing growth on a sustained basis is the biggest priority for policymakers. In this regard, the government is moving ahead with the next phase of reforms intended to address the structural impediments to higher growth and job creation, notably, large fiscal deficits, unproductive public expenditure, red tape, deficiencies in financial intermediation, and labor market rigidities. These reforms pose difficult socio-political challenges, and will require broad political consensus to implement.

5. While the authorities face a broad range of policy challenges and have developed a comprehensive reform agenda to tackle them, the Article IV discussions focused on the elements of a macroeconomic policy mix that would best support the authorities' main policy objectives. Specifically, staff discussed with the authorities: (i) a multi-year fiscal consolidation plan; (ii) the monetary policy stance and strategy appropriate for maintaining inflation in low single-digits; (iii) exchange rate policy; and (iv) progress in financial sector reform.

4.10.3 Industry & Sector

Continued increases in mobile phone and computer penetration, combined with important legal and regulatory changes, have kept this sector at the forefront of market-oriented reforms in Egypt over the last three years. Industry estimates put the growth of the telecommunications sector at 20% annually, while a January 2007 assessment estimated that more than 6 million Egyptians (out of a total population of 79 million) use computers, with an increase of more than 150,000 new computers each month. The government also made significant progress in e-government services over the last two years. Nevertheless, use is still concentrated in the cities; more than 75% of the computers sold as of January 2007 were concentrated in Cairo and Alexandria.

The government reported that the number of dial-up users rose from 1.6 million in 2002 to about 6.4 million in January 2007, and projects that there will be more than 7 million Internet users by mid-2007. One reason for this rise is the cheap dial-up fee, currently less than one cent per minute. The government's "Broadband Initiative," introduced in May 2004, cut the price of ADSL service from £E 150 ($24) per month for 256K transmissions to currently £E 95 ($16.70) and introduced wireless internet services for local and commercial business. According to official statements, ADSL subscribers have increased from 96,000 in January 2006 to more than 216,000 in January 2007.

The Ministry of Communications and Information Technology is partnering with other government bodies and the private sector to increase a still relatively low percentage of computer penetration (about 7.5%). Factors contributing to low penetration include insufficiently trained human resources, the absence of advanced Internet training in school curricula, low Arabic content on the net, and lack of public awareness. The ministry is sponsoring Internet centers and subsidized Internet cafes in towns throughout Egypt; as of January 2007, there were more than 1400 IT clubs, with plans to expand to 1500 by mid-2007. In October 2006, the Ministry of Communication and Information Technology and Ministry of Education contracted Lucent Technologies and its local business partner to improve Internet access and data delivery to some public schools. The trial project will provide broadband Internet

access, e-mail, and distance learning at high speeds to students and educators. In December 2006, Google signed two agreements with the Ministries of Education and Higher Education, giving Google email, instant-messaging, and calendar web-based services to 3 million university and 8 million preparatory school students.

Mobile phone services continue to grow. As of April 2007, Egypt's two providers are Vodafone Egypt (majority owned by Vodafone) with a 48% market share, and MobiNil (owned by majority partner Orange Telecom and Egyptian minority partner Orascom Telecommunications) with a 52% market share. With the rapid increase in the number of mobile subscribers from 13.9 million in January 2006 to over 18.5 million in January 2007, both mobile operators negotiated with state-controlled Telecom Egypt (TE) to acquire its GSM 1800 frequencies to boost their existing GSM 900 frequencies. Currently, MobiNil and Vodafone Egypt are offering 2.5G (between 2nd and 3rd generation) services, such as WAP, GPRS, and SMS. However, over the last year public complaints about the quality of mobile services have increased. The National Telecommunications Regulatory Authority and Ministry of Communication and Information Technology have publicly threatened to take measures against the two operators if the quality of service continues to degrade.

In July 2006, backed by UAE-based ETISALAT, a consortium called Etisalat Egypt won a third mobile license for 2G/3G GSM service in July 2006 for a total of £E 17.6 billion ($3.1 billion), more than six times the government's minimum asking price. UAE ETISALAT holds around 66% of the equity, with the remainder split between the Egyptian Postal Authority, NBE, and CIB. Originally, full services were expected to start by April 2007, but in March 2007 the National Telecommunications Regulatory Agency granted Etisalat Egypt a postponement until May 21. Etisalat Egypt will at first offer service to several cities and towns including Cairo, Alexandria, Sharm el-Sheikh and Hurgada, and is expected to sign national roaming agreements with Egypt's other two operators to cover the rest of the country. Reports forecasted that the third mobile phone network could have 10 million subscribers by 2010, of which 3 million would register in the first year of operation. Etisalat Egypt will invest about £E 10 billion ($1.8 billion) in 2007, of which £E 1.5 billion ($264 million) has already been allocated to establish 150 boosting/connection stations. In

conjunction with the new provider, the government plans to introduce Mobile Number Portability, a system that will allow users to switch from one operator to another while retaining their mobile number, using elements of 3G technology. In January 2007, the National Telecommunications Regulatory Agency also awarded Vodafone Egypt a 15-year 3G license for a total of £E 3.3 billion ($581 million), of which the company has already paid £E 240 million ($42 million).

TE, the state-controlled sole fixed-line provider, currently operates about 10.9 million fixed lines. In 2006, TE announced a profit of £E 2.4 billion ($425 million), a 16% increase from 2005, and total revenues of £E 9.6 billion ($1.68 million), an 11% increase. These jumps were due to a restructuring plan, for which the company issued a corporate bond to increase capital in 2005. The initial offering was £E 2 billion ($346.6 million); demand, however, reached £E 3.38 billion ($595 million), 70% higher than the initial offer. Foreign investment funds from the U.S., UK, Belgium, and UAE accounted for more than £E 420 million ($74 million) of the issue. TE also raised local call rates in the first quarter of 2006 to reduce an estimated £E 800 million ($141 million) to £E 1 billion ($176 million) per year subsidy for local calls. The new rates are reportedly saving TE at least £E 250 million ($44 million) per year. While the rates for national long-distance calls remain stable, TE may cut its international call rates later this year if the government offers new licenses to increase competition in the international calling business. According the WTO Basic Telecom Agreement (BTA), TE's monopoly on international calling operations ended in 2005. Though legally expired, the government has not yet granted new licenses for international calling; thus TE has not been forced to improve quality or reduce prices. International call revenues were about 26% of TE's total £E 9.5 billion ($1.7 billion) in revenues, and include incoming international calling fees, mobile international traffic via its 44.66% share in Vodafone, and fixed international calling traffic via its network.

The government has promised to offer new international connectivity licenses "in the near future," since January 2006. The National Telecommunications Regulatory Agency and the Ministry of Communications and Information Technology have said that, when offered, licenses will be available to the 3 mobile operators on the

condition that each operator has an Egyptian ISP subsidiary. In order to be eligible, Vodafone Egypt in September 2006 acquired 51 percent of Raya Telecom for £E 104 million ($18 million); MobiNil already has the subsidiary Link.Net. Etisalat Egypt Chairman Mohammed Omran also indicated his company's intention to pursue an international license, but the company does not yet have an ISP subsidiary.

TE continues to expand its international connectivity capacity. In October 2006, TE signed an MOU with India's Videsh Sanchar Nigam Ltd (VSNL) to build a new submarine cable system linking India with Europe, Africa, Asia and the Middle East. According to VSNL, the India, Middle East and Western Europe cable system will be ready for service by mid-2008.

Orascom Telecom (OT) Holdings, Egypt's largest private telecommunications company and a major mobile phone service provider in Africa and the Middle East, announced in March 2007 that its 2006 net income was $719 million, up 8% from 2005. OT has over 51.5 million subscribers regionally, up 70% from 2005, and is projecting 70 million subscribers by the end of 2007. In addition to Egypt, OT has mobile-phone operations in Algeria, Tunisia, Iraq, Pakistan, Bangladesh and Zimbabwe. Its Algerian subsidiary, Djezzy, contributed 35% of total revenue, followed by Pakistan's fast-growing Mobilink with 23%. In November 2006, OT acquired an additional 7.91% stake in Djezzy from minority shareholders for $399 million, raising OT's total stake to 95.6 percent.

OT wholly owns IRAQNA, now the number one wireless operator in Iraq. IRAQNA began in 2003 with a two-year contract to operate just in central Iraq, but by 2004 its licensed operations expanded to all areas of the country. Its current investment in Iraq is $280 million, and it had 2.5 million subscribers as of September 2006.

In March 2007, Saudi Arabia's Communications and Information Technology Commission disqualified OT from bidding for the kingdom's third mobile phone license. At the same time, OT launched a bid for a stake in Brazilian telecom outfit Brasil Telecom Participacoes, which current holder Telecom Italia is evaluating. Brasil Telecom is the country's third largest fixed line operator.

4.10.4 Country Data

Population: 76.5 million (according to 2006 national census)

Population Growth rate: 1.9%

Religions: Muslim 90% - Christian 10%

Government System: Presidential

Languages: Arabic

Table 13 :Egypt domestic economy indices overview

DOMESTIC ECONOMY
National Accounts
Egyptian fiscal year (July-June)
US$ billions unless stated otherwise

	FY02/03	FY03/04	FY 04/05**	FY 05/06
GDP (current prices, £E billion)	418	485	539	618
GDP (current prices)*	81.4 (2003)	77.0 (2004)	91.7 (2005)	103.2 (2006)
GDP real growth rate (%)	3.0	4.1	5.1	6.9
GDP Per Capita (U.S.S)	1197.2 (2003)	1111.1 (2004)	1265.2 (2005)	1432 (2006)
Government Spending/GDP (%)	26.8	26.5	30.0	33.1
Consolidated Fiscal Deficit/GDP	2.4	2.4	3.5	2.0
Inflation (%) ***	7.1	9.5	11.4	4.2
Wholesale Price Index (%, June of each year unless stated otherwise)	18.0	15.9	5.1	5.7
Unemployment (%)	9.9	9.85	10.5	10.9
Foreign Exchange Reserves	14.8	14.8	19.3	22.9
Reserves/months of imports	12	9.7	9.6	9.0
Avg. Exch. Rate for £E /S	5.13	6.18	6.01	5.70
End of Period Exch. Rate (June of each year)	6.03	6.22	5.78	5.75
Debt service ratio**** (%)	9.8	9.2	7.9	7.3
Total Foreign Debt/GDP	35.6	38.1	30.0	28.0 (Q3)
U.S. assistance (U.S. Fiscal Year)	1.915	1.875	1.835	1.795
Military	1.3	1.3	1.3	1.3
Economic	0.615	0.575	0.535	.495

* IMF figures
** Some figures revised from last year according to revisions by the sources
*** Inflation figures starting 2002/2003 are revised due to changes in the Urban Price Index
**** Debt Service is ratio of external debt service to current account receipts
Sources: Egyptian government, IMF, World Bank.

4.10.5 Culture

Egyptian culture has five thousand years of recorded history. Ancient Egypt was among the earliest civilizations and for millennia, Egypt maintained a strikingly complex and stable culture that influenced later cultures of Europe, the Middle East and Africa. After the Pharaonic era, Egypt itself came under the influence of Hellenism, Christianity, and Islamic culture. Today, many aspects of Egypt's ancient culture exist in interaction with newer elements, including the influence of modern Western culture, itself with roots in ancient Egypt.

Egypt's capital city, Cairo, is Africa's largest city and has been renowned for centuries as a center of learning, culture and commerce. Egypt has the highest number of Nobel Laureates in Africa and the Arab World. Some Egyptian born politicians were or are currently at the helm of major international organizations like Boutros Boutros-Ghali of the United Nations and Mohamed ElBaradei of the IAEA.

Renaissance

The work of early nineteenth-century scholar Rifa'a et-Tahtawi gave rise to the Egyptian Renaissance, marking the transition from Medieval to Early Modern Egypt. His work renewed interest in Egyptian antiquity and exposed Egyptian society to Enlightenment principles. Tahtawi co-founded with education reformer Ali Mubarak a native Egyptology school that looked for inspiration to medieval Egyptian scholars, such as Suyuti and Maqrizi, who themselves studied the history, language and antiquities of Egypt.[84] Egypt's renaissance peaked in the late 19th and early 20th centuries through the work of people like Muhammad Abduh, Ahmed Lutfi el-Sayed, Tawfiq el-Hakim, Louis Awad, Qasim Amin, Salama Moussa, Taha Hussein and Mahmoud Mokhtar. They forged a liberal path for Egypt expressed as a commitment to individual freedom, secularism and faith in science to bring progress.

4.10.6 Growth Area

Services account for roughly 50% of Egypt's GDP, with tourism and Suez Canal revenues being particularly important.

Tourism: Tourism is Egypt's largest foreign exchange earner and a key engine of growth. Hotels and restaurants – the key indicators for the sector – recorded the highest growth of any section in 2005/06, at 12.5%. Official figures credit tourism with about 11% of GDP, making it the second largest industry and the second largest employment-provider sector.

Suez Canal: Egypt marked the 50th anniversary of the nationalization of the Canal in 2006. Canal revenues continued their robust performance in FY 05/06, setting a new record of $3.8 billion compared to $3.3 billion in FY 04/05, with the canal accounting for 8.2% of global trade traffic in 2006, compared to 7.4% in 2005. Approximately 18,000 ships passed through the canal in 2006. Increased trade flows from East Asia, especially India and China, are partially responsible for the rise in canal revenues, in addition to high global oil prices, which have made shorter transportation routes more desirable.

Banking: Egypt's banking sector reform program continues, bringing about consolidation in the industry and cutting the total number of commercial and investment banks to 36 by the end of 2006 (from 45 at the end of 2005). The competitiveness of and competition among banking units has increased, in part due to the increased presence of foreign banks in the market.

Capital Market: The stock market rally beginning in 2003 peaked in February 2006, when the benchmark Hermes Financial Index (HFI) hit 69,000. The surge, driven in part by investment from Gulf countries, was supported by strong company earnings growth and improving macroeconomic indicators. Amateur investors – driven solely by the market's momentum in anticipation of short-term profits – had also entered the market in large numbers. In February 2006, however, the CASE entered a correction phase, ignited by a wave of strong corrections in GCC markets, but arguably predictable from a technical point of view.

Insurance: Egypt's insurance industry remains very small relative to other middle-income developing countries, with annual premiums accounting for only about 0.8%

of GDP. The government reported total insurance sector assets of £E 22.3 at the end of FY 05/06 and £E 20.1 billion in FY 04/05, an increase of 10.9%. Premium income was £E 4.8 billion in FY 05/06, up 7.3% over FY 04/05. Non-life insurance amounted to £E 3.1 billion in FY 05/06, up from £E 3 billion in FY 04/05. Life insurance services continue to outperform non-life insurance, with premia increasing to £E 1.8 billion in FY 05/06 from £E 1.5 million in the previous year, for a growth rate of 17.5%. Each company must continue to reinsure 10% of non-life policies and 50% of life insurance policies with state-owned Egypt Reinsurance.

Other Financial Services: The previously stagnant mortgage market is slowly progressing in terms of underlying regulations and the number of active players in the market. According to the Mortgage Finance Authority (MFA), mortgage credit extended has risen from £E 15.8 million in September 2005 to £E 1 billion in December 2006.

Energy: The gas sector continues to be among the brightest spots in the economy, not only in terms of gas exploration, development, and production but also in terms of gas exports, which have increased significantly since 2005. Oil production and exports, while declining, still play an important role in the economy. In FY 05/06 the oil and gas sector was 12% of GDP and more than one-third of annual merchandise exports.

Construction: The construction and building-materials industries continued to grow on buoyant export demand in 2006. Government figures put cement production at 36.2 million metric tons (mmt) for FY 05/06, an 8% increase the same period in FY 04/05. High international prices pushed up profitability of Egyptian cement and steel producers. On the negative side, higher international prices also pushed up domestic prices, precluding a healthy rebound in domestic demand for building materials and prompting accusations of monopolist practices in the sector and price manipulation.

Manufacturing: During 2006, the manufacturing industry benefited from the economic reforms, which brought about lower input prices and reduced red tape. According to government statistics, Egypt's manufacturing sector accounts for approximately 20% of GDP and 14% of employment. Food processing and textile products account for the bulk of Egypt's manufacturing, while other main sub-sectors include metallurgy, fertilizers, and other consumer goods.

Automotive: Completely Built-Up (CBU) cars, imported from Europe, Japan, South Korean, Turkey, the U.S., China and Gulf countries, make up 58.8% of the automotive sales market, with the remaining 41.2% comprised of locally assembled cars. Nine different companies assemble vehicles in Egypt. The still-fragmented production base offers few economies of scale and Egypt has developed only limited feeder industries for vehicle parts.

Pharmaceuticals: The Ministry of Health and Population caps sales prices for pharmaceutical products, hampering the sector's development, although the ministry has selectively raised some prices. Because both domestic and foreign pharmaceutical companies rely heavily on imported inputs, profitability dropped sharply with the depreciation of the Pound in 2003, and some companies claim to be operating at a loss. Some companies have cut back their operations, including halting production of certain medicines.

Agriculture: Agriculture remains one of Egypt's most important sectors. Its growth rate in current prices increased from 6.3% in FY 04/05 to 8.6% in FY 05/06 and 9.8% in the first half of FY 06/07. Like most growing middle-income countries, however, agriculture's share of Egypt's GDP has fallen gradually from 20% in FY 86/87 to less than 14.5% in FY 05/06 and the first half of FY 06/07. Egyptians employed in agriculture have also fallen, from 33.8% of the labor force in FY 90/91 to an estimated 27.6% in FY 04/05.

IT and Telecom: Continued increases in mobile phone and computer penetration, combined with important legal and regulatory changes, have kept this sector at the forefront of market-oriented reforms in Egypt over the last three years. Industry estimates put the growth of the telecommunications sector at 20% annually.

Transportation and Infrastructure: 2006 was a challenging year for Egypt's transportation sector; however the sector is witnessing significant reforms and improvements, with developments in civil aviation, maritime transport, railways and road networks. Growing exports and continued growth in the tourism industry will continue to place extra demands on Egypt's transportation infrastructure.

4.10.7 Legislative Developments

New legislation passed by the People's Assembly in the 2005/06 parliamentary session and the current 2006/07 session includes the Customer Protection Law, in addition to amendments to the Stamp Tax, Tenders and Bids, and Capital Market laws. Parliament also ratified amendments to securitization principles and Egypt's customs tariff schedule.

Consumer Protection Law: The Consumer Protection Law No. 67 for 2006 was ratified in the People's Assembly in May 2006, coming into effect in August. Executive regulations were issued in November. The law lists the rights of consumers that it protects, based on UN principles of consumer protection, including the right for individuals, as consumers, to participate in consumer organizations and the right to bring suits against producers and service providers.

Stamp Tax Law: In June 2006, parliament amended the 1980 Stamp Duty Law. The reform simplified procedures, and halved the stamp duty tax rate imposed on some products and services.

Tenders and Bids: In September 2006, the Tenders and Bids Law was amended to streamline contract procedures. The changes shorten the period required for announcing tenders and evaluating bids, lower charges for tender documents, oblige clients to hold pre-bid meetings to clarify terms of tenders, and include model contract terms clearly setting out rights and obligations of contractors. The amendments allow small- and medium-sized enterprises to acquire tender documents at cost.

Customs Tariff: Import tariffs were reduced on 1,114 items, including foodstuffs, raw materials and intermediary and final goods, by a February 2007 presidential decree.

Capital Market Law Amendments: In October 2006, the Ministry of Investment amended the Capital Market Law No. 95/1992, raising required capital for companies working in stockbrokerage; evaluation, analysis, classification of securities; management of securities portfolios and investment funds; and promoting subscription of securities to £E 5 million (from the previous requirement of £E 250,000). The same amendments also require companies working in the fields of risk capital, direct investment funds and bond brokerage to hold a capital of £E 10 million.

Securitization Rules: In January 2007, the government amended securitization rules in the executive regulations of the Investment Incentives and Guarantees Law, to make it easier for companies to raise short-term debt. The amendments designate securitization as a non-banking financial service. The amendments allow minimum capital requirement of securitization companies to be set in any convertible currency, and the capital to be deposited at any commercial bank registered with the CBE. At least 50% of companies' capital, must be deposited in the convertible currency. Financial statements must be reported in the same currency as the company's capital.

4.11 Mode of Entry

Along the restructuring process of the messaging division, PowerMeMobile decided to expand by reinforcing its presence as a leading mobile gateway in the middle east from a side – from another, by applying a local entry approach in the Egyptian market considering the reasons and market conditions described earlier.

4.11.1 Foreign Direct Investment

Established firms entering new or established markets, generally by internal growth or acquisition usually adopt FDI Entry Strategy. This is as risky approach that needs resources and financial commitment, PowerMeMobile cannot adopt this strategy since it wants to move quickly and penetrate the market.

4.11.2 Partnership

Partnership or ventures are separate legal entities set up by more than one established firm, each of which generally has a financial interest and board membership. In a sense, ventures are new companies that established firms set up when entering markets.

PowerMeMobile knows that on its own, it could not master local business practices, meet regulatory requirements, hire and manage local personnel and gain introductions to potential customers. Moreover, PowerMeMobile would favor a minimal investment therefore collaborate with a local partner to benefit from his commercial and legal entity and market knowledge.

PowerMeMobile found that this approach is the most convenient one since it minimizes risk and increases growth.

> Choice of Partner

After several researches and studies, the tendency was to partner with a local messaging provider who does not own a reliable messaging gateway. (i.e.: SMSCairo). PowerMeMobile could leverage his technical infrastructure thru its advanced message platform, gateway and SMS marketing experience.

Another approach would be entering the market through a mobile handset distributor – i2, the biggest mobile handset distributor in the Middle East and Africa.

- i2 is a renowned mobile-related company with a wide network covering 20 countries with a extensive channel in Egypt.
- As a mobile messaging tool, MessageManager goes along the existing i2 mobile product line.
- i2 MessageManager could be an ideal product to be commercialized within the existing i2 network.
- PowerMe Mobile's MessageManager is the Swiss-Knife of mobile messaging
- MessageManager is a centralized platform, customizable and flexible enough to fit into every market needs.
- PowerMeMobile, a pioneer in the SMS business, provides on top of the technical facet, a Marketing and sales consultancy allowing easy leverage for the existing SMS capabilities.

About i2

Founded in 1993 in Saudi Arabia, i2 is the region's largest and most diverse mobile phone provider. Over 1,300 employees across 400 stores in 17 countries are dedicated to providing i2 customers with technological solutions and services that enhance their lifestyles and shopping experience. i2 stores offer the widest range of mobile phones, PDAs, wireless technology, software, value added services and mobile accessories in the region. It is the first mobile phone provider to offer its customers a life-time warranty and a comprehensive after sales maintenance program on all products purchased in store or online. To better serve their customers, i2 has expanded its reach to include i2 magazine, i2 club, i2 prestige, i2 café and other innovative support programs.

i2 Egypt is one of the biggest channels of the company – with a network of more than 30 shops and 50 points of sale deployed in Cairo, Giza, Alexandria, Gharbia, Aswan, Assuit, Mansoura, Sharm El Sheikh, Manofiah, Sohag, Minia.

Product offering

i2 and PowerMeMobile can generate revenues by offering a full MessageManager range to satisfy all market needs

- MessageManager Box – a package that includes MM Setup in CD, a User manual, Tutorial & Recharge Card. This would be a unique and exclusive messaging product to be sold on the shelve. This package is of high importance and will be a key success factor in the PowerMeMobile-i2 partnership.
- MessageManager Credits Recharge Cards – to be available for refill
- MessageManager API Interface – it is the integrated SMS solution i.e.: SMS Banking that sends SMS credit card transactions alerts

Sales Channels

i2 owns a wide Distribution and Points of Sales with more than 30 outlets covering all country region. Moreover, i2 will hire a Direct corporate Sales to be trained by PowerMeMobile. I2 can also benefit form its Online Portal to drive sales or online refills.

Marketing facilities

i2 owns several marketing facilities that can enhance the product exposure at almost no promotion cost. BTL (below-the-line) promotions and sampling in Points of sales By designing and displaying posters, flyers, shelves…i2'TV could run commercials about i2. This to add the Direct corporate sales efforts to be achieved by i2 sales team

i2 Immediate benefits

Introducing MessageManager product will be a seen as a Vertical Diversification, by offering a reliable i2 branded communication-related product. I2 will also be entering the lucrative SMS business without significant investment.

MessageManger will enhance the outcome of the existing sales network with a wider mobile-related product range.

I2 will have a full control over its retail messaging division using the Admin Interface ideal to track and manage messaging sales, traffic and statistics.

Despite of the volume of transactions achieved, we will simply compare messaging profits vs. handsets to conclude that

- Profit margin comparison: it is known that handsets profit margins is below 5%. Retail messaging gross profit ranges between 100% for MM Box and 60% for corporate packages.

- Sustainable profitability: Messaging is based on recurrent SMS credits refills – unlike one-way handsets sales, messaging establishes an continuous purchasing activity.
- No stock inventories and logistics charges: As an Internet Based service, retail messaging does not involve inventories and logistics charges such as: Freights, Customs, Insurance, Carriers, Transportation, Warehousing. As financially, no need to LCs and LGs for bank loans.

PowerMeMobile's benefits

PowerMeMobile will be entering the Egyptian untapped market with a well deployed and renowned partner. It will also benefit from i2's distribution networks and marketing capabilities. With i2 strong retail capabilities, retail messaging will be efficiently targeting individuals in addition corporates. i2 partnership will be a 'pilot project' using Egypt as test-ground to gradually develop messaging partnerships in the 19 countries covered by i2. PowerMeMobile will be benefiting from i2's resources, logistic, legal and commercial identity while Minimizing its investment contribution and expansion risks.

4.11.3 Networks & Channels Options

It is known that relationships are formed continuously (Anderson et al., 1994) and when combining a set of relationships it can be described as a network (Fornbrun, 1982). We argue that networks in many ways could be seen as the key for companies to succeed, something that can be confirmed in our theoretical framework where Sharma and Blomstermo (2003) state that the internationalization process for companies is heavily influenced by networks of relations, but also of great importance for small, exporting companies (Ghuari et al., 2003). These relations provide companies with knowledge of markets and clients abroad and therefore reduce the risks with international operations (Sharma & Blomstermo, 2003).

Welch & Welch (1996) also argue that careful management is required to make sure that formal planning involves these clearly defined policies and strategic planners

within the company, they must be well aware of important company relationships and be able to identify these. The complexity involved in network mapping is that those people trying to identify networks are often outsiders to the very network they are trying to map. This is the case particularly in international markets where geographical and cultural distance accentuates the differences. This emphasize the importance of building strong linkages to key actors within the company so that those separated from day to day operations still have access to the networks a company takes part in. Another way for management to actively take part in important relationships and networks is to visit foreign market and strengthen important network connections.

Accordingly, PowerMeMobile intends to appoint two representatives, a business developer and a sales executive who will be continuously visiting Cairo and closely working with i2 team while being domiciliated in their offices.

Those will handle the following tasks:

- Training i2 point-of-sales team about various MessageManager messaging applications
- Establishing a MessageManager customer support team in cooperation with PowerMeMobile's headquarters support
- Follow-up on implementing a marketing plan of messaging products from design to production
- Provide the corporate sales team with training and support about SMS marketing trends, potential target markets and sales techniques
- Arrange for MessageManager presentations to potential corporate clients in cooperation with i2 sales team
- Establish and supervise the operation and supply chain management from purchase to collection
- Collect market insights and customer feedback to leverage messaging
- Liaise with PowerMeMobile's headquarters for technical support and customized messaging developments, financial team and procurement
- achieve yearly growth and reach sales targets
- Maintain a high-quality service and preserve customer and partner satisfaction

PowerMeMobile will provide i2-Egypt with the following elements:

- MessageManager Platform
- Gateway Connectivity
- MessageManager Interfaces
- MessageManager Technical Support
- MessageManager Backend Support
- MessageManager Portal
- MessageManager Documentation
- MessageManager Tutorials
- MessageManager Training
- MessageManager Marketing Support
- MessageManager Sales Support

4.11.4 Target Market

In addition to the traditional retail messaging target markets, PowerMeMobile, thru its i2-Egypt partnership, will be able to widely tackle the end-users potential market. This was almost unavailable and will be achieving significant sales volumes. Corporate retail messaging to be mainly banks, offering SMS push and pull mobile banking services. In fact, SMS banking became in the main stream of banking activity. However, reliable applications are scarce. Moreover, PMM developed multiple SMS applications such as Capital Markets alerts and One-Time Password to prevent cyber frauds. Those bank will be primarily targeted by direct sales, other potential sectors and heavy messaging users are:

- Retail Sector
- Advertising Agencies
- Consumer Goods Sector
- Insurance and Brokerage Agencies
- Entertainment Sector
- Syndicates and Associations

- Religious Entities
- Service Centers
- Education
- Government
- Healthcare and Hospitals
- Software Developers and Content Providers

4.12 Potential Risks

4.12.1 Geopolitical risk

Egypt has an essential geopolitical situation in the Middle-East as it controls the Sinai Peninsula which is the only land bridge between Africa and remainder of Eastern Hemisphere.

It must therefore be strong enough to dominate its environment or risk becoming the victim of outside powers. Its security is also linked to control of the Nile, on whose waters its survival depends. It has, therefore, had historical ties with Sudan and has sought satisfactory relations with the states on Sudan's southern borders, Uganda and Zaire The greatest threat to Egypt in contemporary times has been the threat that Israel, backed by a superpower, would block its access to the East. Egypt also controls the Suez Canal, which is the shortest sea link between the Indian Ocean and the Mediterranean Sea.

These facts combined with the country's considerable size and its juxtaposition to Israel gives it a major role in Middle Eastern geopolitics.

4.12.2 Competition

As every project, competition may react and offer same products thru another potential distributor. This will require a significant implementation time but PowerMeMobile will hold the first mover's advantage.

Existing service providers will react as well, PowerMeMobile messaging products especially MessageManager Desktop Client interface and service quality will remain a key to success.

In conclusion, we believe that this partnership is strategic by all means. PowerMeMobile will be a pioneer by venturing the messaging market from a different perspective – targeting end-users and corporates. The major importance is also applying the Egyptian partnership model gradually over other i2 operations.

This should be a top priority project for the Retail Messaging division at PowerMeMobile. If project fails with this chosen partner, team should approach other major handsets retailers with an international scale such as Axiom, Mabco.

Chapter.5. Feasibility study

In this Chapter, we will go thru a brief feasibility study to assess the expansion cost and project the outcome. The purpose of this feasibility is to evaluate our decision to restructure and expand based on a cost benefit analysis.

5.1 Resources & Salaries

The restructuring and expansion program described in this research mainly involves hiring new employees. The below table lists the existing and new resources structure with an approximate wages scheme. It is worthwhile to note that yearly bonuses and sales commissions will be distributed depending on the achieved sales targets and yearly profits. This is believed to keep the team motivated and will increase their involvement in the company's growth.

Table 14: Resources & Salaries

Salaries Structure - Retail Messaging Division					
	Year		Year + 1		Year + 2	
Function	Employee	Amount	Employee	Amount	Employee	Amount
Manager - Retail Messaging	1	30,000	1	33,000	1	36,000
Sales Executive (Local)	1	15,000	2	30,000	2	33,000
Sales Executive (Regional)	1	24,000	1	24,000	1	26,000
Business Developer	1	24,000	1	24,000	1	26,000
Product Developer	1	15,000	1	15,000	1	17,000
IT Specialist	1	24,000	1	24,000	1	26,000
System Admin & Support	1	15,000	1	15,000	1	17,000
Accountant	1	15,000	1	17,000	1	17,000
Salaries	8	162,000	9	182,000	9	198,000

(Source: Edgar Maroun - Expanding Retail Messaging at PowerMeMobile)

5.2 Expenditure Projections

Inspired from the above numbers, our general expenses, including marketing costs are believed to be as such - noting that some expenses are listed as a messaging division contribution in the company's expenses.

Table 15: Expenses Sheet

Expenses Sheet - Retail Messaging Division			
	Year	Year + 1	Year + 2
Travel Expenses & Allowances	25,000	30,000	35,000
Rent	12,000	12,000	12,000
Office Expenses	2,400	3,000	3,500
Telephone Expenses	12,000	14,000	16,000
Electricity	5,000	5,500	6,000
Advertising	30,000	40,000	50,000
Exhibition	25,000	30,000	35,000
Technical Equipment	5,000	5,000	5,000
Office Equipment	5,000	5,000	5,000
Lawyer	3,000	3,500	4,000
Other Expenses	10,000	10,000	10,000
Total Charges	134,400	158,000	181,500

(Source: Edgar Maroun - Expanding Retail Messaging at PowerMeMobile)

5.3 Forecast Projections

Based on our market experience and analysis, we believe the expansion and market venture is supposed to generate a minimum of 2 Millions sent SMS per month during the first year. The yearly target should be reaching a minimum growth of 20% in sales in a three years period.

We will describe here below the sales projections expected from i2-Egypt messaging operation – those will to be included in the global sales forecast.

Table 16: i2-Egypt Sales Projections

i2-Egypt (Messaging) – Gross Revenues Projections			
Channel	**Year**	**Year + 1**	**Year + 2**
i2 Outlets	20	20	20
Price per item	50	50	50
Item / Outlet / Month	5	7	8
Sales / Month	5,000	6,500	8,450
Sales / Year	60,000	78,000	101,400
i2 Salesman	2	2	2
PO processed / SM / Month	15	18	22
Average Price per PO	500	500	500
Sales/ Month	15,000	18,000	21,600
Sales/ Year	180,000	216,000	259,200
Total Sales	240,000	294,000	360,600
PMM Share (65%)	144,000	176,400	216,360

(Source: Edgar Maroun - Expanding Retail Messaging at PowerMeMobile)

The overall Sales Projections would be as below, to note that the assumed sales volumes are not far from being achieved.

Table 17: Forecast Projections

Gross Revenues Projections – Retail Messaging Division					
Revenue	**Unit**	**Unit Price Avg**	**Year**	**Year + 1**	**Year + 2**
SMS Volume	24,000,000	0.037	888,000	1,065,600	1,278,720
Customized projects	10	3,000	30,000	36,000	43,200
Total Revenue			918,000	1,101,600	1,321,920
Yearly Pickup	20%				

(Source: Edgar Maroun - Expanding Retail Messaging at PowerMeMobile)

5.4 P&L Projections

The below table is a summary of the projected Profit and Loss activity.

Table 18: P&L Projections

Profit & Loss - Retail Messaging Division - PMM			
P&L	Year	Year + 1	Year + 2
Total Revenue	918,000	1,101,600	1,266,840
COGS	480,000	552,000	634,800
Total Expenses	296,400	340,000	379,500
Taxes	14,160	20,960	24,104
Net Profit	127,440	188,640	228,436

(Source: Edgar Maroun - Expanding Retail Messaging at PowerMeMobile)

PowerMeMobile's restructuring and expansion investment in the first year could be achieved with a $100,000 injection. This will translate into $27,440 of net revenues from the first year. Compared with the investment and the potential available, we see that this restructuring and expansion strategy is financially profitable and could be achieved in a record time.

Chapter.6. Conclusion & Recommendations

Messaging became an essential commotion for every business and individual – they all seek reliable messaging partners yet competitiveness in terms of pricing.

Retail messaging is a business that is witnessing fierce competition. Messaging companies are popping up fast. In fact, this business type looks easy to startup, demanded and profitable. Still, not all these companies succeed. Besides, quality of service is a critical issue while reliable messaging providers are scarce especially in the MENA region.

6.1. Conclusion

PowerMeMobile is a strong candidate to fill this gap and prove well in the regional scene. The local player will remain its strongest competitor therefore, PowerMeMobile messaging division has to be driven by a 'Think Global, Act Local' approach. Setting up close and dedicated partnerships in every Middle Eastern country is the tool to achieve a successful 'internationalization' - one of the main reasons behind choosing a well-deployed and networked partner.

Consequently, we believe that internationalization processes of service companies described in Chapter 2, is quite hard to be applied to our case due to the project minimal investment and the nature of the messaging business. However, we see that according to the Uppsala Model, the idea of gradual commitment to international operations stands in our case. Eventually, PowerMeMobile's retail messaging is expanding its international operation in a limited and conservative way in order to increase its commitment as new experience permits to acquire more knowledge. The perception should remain based on an innovative ability to expand thru an adequate choice of partners such as i2 – this should be achieved swiftly and backed efficiently by proper sales training and technical support. The internationalization models we see

may fit along our company abilities thru building partnerships that help not only minimizing risk and investment, but will add-value to the value chain.

We tend to concur that 'international activities could be just a way to penetrate a new market where existing networks may facilitate the entrance into new foreign networks.' (Erramilli, 1993)

From another perspective, PowerMeMobile's key selling point will remain MessageManager Client interface and its messaging experience in addition to its reputation as a carrier-grade solution provider – of course backed by a proper marketing and a strong messaging infrastructure.

It is agreed upon that this business involves a margin of inter-networks connectivity problems that players have to live with - this is part of the business. However, this should be mastered and controlled by adopting efficient contingency plans and by exercising strict measures and fast actions to arising problems. Form another side, the Economies of scale element is vital in defining and cutting SMS costs. Ensuring high volumes of messaging is crucial to maintain higher profit margins.

The choice of the country (Egypt) and partner (i2) creates vital synergy. This opens up the opportunity to approach messaging business in very innovative way. Again based on MessageManager Client but, not only marketed on the web and thru direct sales, but for the first time in the region, as a 'boxed product' available on outlet's shelves targeting end-users and small companies. This product will be paving the path to new opportunities thru a well-channeled and established partner. The choice of the potential and fast growing Egyptian market will serve as a pilot project to sustain cooperation in his other countries.

As per the investment, it appears that a minimal funding of $100,000 to a restructuring plan, based mainly on human resources enhancement and tactical marketing is able to generate revenues even from first year of operation. Still, the synergy existing between PowerMeMobile's divisions will remain a great asset to its success, however, the duplication of roles and multi-functions per individual is an issue that has to be discontinued.

6.2. Recommendations

Our research recommendations can be summed up as follows:

Decentralization - Establishing an independent entity for Retail Messaging under PowerMeMobile would be help achieving more focus on the messaging business with the ability to control and achieve goals more clearly. This would also help getting the needed funding thru venture capitalists or bank loans. We recommend applying for a Kafalat loan for its various advantages and facilities offered to start-ups. This thesis could help tailoring the relevant 'business plan' required by banker to grant the loan.

Human Resources - 'The true value-generating asset in services firms is people' (Rao, 1993, p.22). We believe that the human resources element is crucial to achieve successful results. The team should be dedicated to maintain an optimized service quality. Incentive programs should apply to motivate team to reach sales targets. A salesperson should be ready to serve a client on a Sunday noon - especially when dealing with the Middle Eastern countries who apply the Islamic working days calendar. Likewise, technical support should be able to take action if a messaging route got blocked even at midnight. This will surely reflect the service quality and sustain customer retention.

Direct Sales - Even if it is an internet-based service – there should be an important effort in personal contacts, direct sales, marketing, business and products development. Creating new and useful services should remain the team's confront to build continuous business opportunities.

6.3. Limitations

It is worthwhile to mention the limitations that we faced thought this work – due to the lack of consistent messaging-related internationalization case studies, simply because this business is still in its early stages and the literature available looks obsolete compared to what's we're witnessing in this internet and communication world. To add the conservative attitude of local messaging competitors who preferred to preserve their data and expansion experience insights.

This thesis is just the plan or the beginning of a restructuring towards expansion. We tried to go thru the different aspects of the business.

A deeper work should be done in various areas especially in the partnership accomplishment details, from marketing, to training and operation management. The legal and commercial aspects were not attempted too. Moreover, PowerMeMobile's technical in-depth coverage contingency measures and web portal details need to be detailed to become ready for implementation.

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Appendices

Appendix A - Interview with TynTec

- Q: What is the expansion strategy that has been applied by Tyntec and made of it the #1 Bulk SMS Gateway.

- A: We have been trying to increase our roaming partners who give us exclusive SS7 access. This was we have more coverage and redundant routes into most networks.

- Q: What is the your marketing strategy in brief?

- A: I will have to ask Marketing, sorry not my department.

- Q: What is TynTec's sales approach? Is it only via the Web? Do you have representatives/agents (sales and support) in some regions/countries? How do you choose those partners?

- A: In the past it has been by telephone sales approach. As the company is growing we have now opened an office in partnership with a small company in Singapore, then Australia, and soon Dubai to have a larger presence in different countries. Also, I have taken on a Global Sales Manager approach where I travel quite a bit to the different offices and visit larger customers in the regions.

- Q: How do you handle 'Big' clients from abroad? What if your client preferred to deal with a locally deployed provider who can be closer to him hence provide personal assistance.

- A: See answer above, larger customers we now visit or send a representative who is the closest in proximity to their office.

- Q: How do you compete in price? Since Tyntec prices are quite expensive if compared to other service providers.

- A: Only some areas we are more expensive. Generally where we are less our competitors are more. It is not a huge barrier as we are the only company who guarantees the delivery of messages in under 10 sec and state this in a SLA. So if the customer needs quality they will pay for it.

- Q: Do you consider mobile operators' bulk services as competitors in some case?
- A: In some cases yes, but they are generally not a major threat. As we normally have more than 1 route to each network we can send through our cheaper ones if necessary.

- Q: How do mobile operators react to a service provider like Tyntec who could be seen as competing with the operator's internal bulk SMS services.
- A: They are not happy about it, but there is not much they can do☺

- Q: How do you solve the Coverage issues? And relatively with price issues. What if one network operator blocks a route that you're using?
- A: As mentioned before we normally have more than 1 route into a network, so if we get blocked than we have a back up. If we are missing a network or a country still the big players will use us for the networks we have, and split up their traffic.

- Q: How do you evaluate a route and make sure of its reliability over networks?
- A: We have a full tech team who does the QoS measurement on a route before we open it to the public.

- Q: What if one of your clients overwhelmed a network with excess of bulk SMS that pushed this network to block your route? How do you manage such incidents from both clients' and operators' side.
- A: This happens all the time. We just give the customer a warning and if they are abusing the routes we block them. That is the nature of this business.

- Q: Are you considering having your own SMS Center? What is your opinion about this approach.
- A: We do have our own SMSC that is what makes TynTec unique in the market place.