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AirG

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WIQ: How did AirG begin?

FG: We started because three former engineering students, including myself, used to play video games on these big \$50,000 Sun computers in engineering labs, where thousands of dorks like us would interact through text-based games like Zork and Dungeons & Dragons. They were powerful machines, and because they were networked with other powerful machines around the world, you could play BBS-style text-based games with many others . . . causing you to fall behind forever in your studies because your magic orb would get stolen if you didn't stay online all the time (laughs).

In 2000, we looked at mobile phones and the type of experience and latency they offered, and we thought "why not build a massively multiplayer game where we could put thousands of people together interacting on their cellphones?" We did do that, and we managed to convince ten or fifteen telcos, who sold the game to their customers. We put almost 200,000 people together, and what we found really quickly was that they were chatting and instant-messaging and trying to meet each other more than they were actually playing the game. We concluded that in this medium people wanted to interact more than they wanted to play games, so we extracted that concept and made it a gaming community, and then a dating community, and now it's become a variety of private label communities: Latino, sports, music and so on. Now we've put over 10 million customers together, interacting on their mobile phones. Obviously the technology has evolved, but the premise is the same.

WIQ: So the model is that you sell the technology to the carriers and they sell it on to their customers?

FG: We license our client software to the telcos, and to media companies, and they sell them to customers. Their objective, obviously, is a revenue-add, so they want you to use your phone more and rack up a bill, either as a function of that revenue growth, or as a licensing fee for the system and the software. We operate the back-end systems completely. The exciting thing for us is that it took five years to build up a customer base of 5 million users, and then it took eight months to go from 5 million to 10 million users.

WIQ: To what do you attribute that?

FG: We attribute that to the fact that handsets now are that much more "sexy." You can send a photo with your handset, you can interact with people who have other photos on their systems; you can actually get an almost PC-like experience, and it's no longer just text-based. Now we have a downloadable product that goes on the phone and is analogous to the experience that you would have online: obviously not as good, but when you're on the go, away from the PC, it's a good replacement and we've found that a big

part of our customer base either shares a PC or doesn't work in front of a PC all day.

We've hit a tipping-point: usage has gone up to the point where the average user in the United States spends 59 minutes a day using our service.

WIQ: Are there particular handset requirements, to get the most out of it?

FG: There are and there aren't. As a company, we work to support every handset in every market that we roll out in. We support, I believe, over 3,000 handsets now. If you have a newer handset that supports a downloadable product (which handsets released in the last two years generally do), you will have a better experience. But even if you have a phone that is three or four years old that just has Web browsing, you can still use our product; in fact the bulk of our traffic is still coming from legacy handsets. There is a handset replacement cycle of about two years in the United States, and with that cycle comes more usage for us, and more users as a result. The newer products look a lot better and attract a lot more people and you'll get a better experience on newer phones, but we do support older phones. For example in the Philippines and in India, with large installed bases of older phones, we're pragmatic and we support them because we know that's still a pretty big chunk of the market.

WIQ: Is the whole back end of the operation run out of Vancouver?

FG: We have over 100 servers in Vancouver interconnecting all the different networks around the world. You could be a guy in Belgium, hoping to find a 35-year-old woman who likes The Doors. You find someone in Seattle: you tap in your message through a browseable service; that message gets pinged through our servers back here. We route that message almost instantaneously to that person's phone. There are millions of transactions like that happening every day.

WIQ: Why is the mobile social networking space growing so rapidly?

FG: It's a basic human need, to be loved and given attention. It's not always a romantic thing; at work, or when you walk into a bar, you want recognition and attention. My belief is that this need promulgates itself through whatever different media you are in. If your PC is user-friendly enough for you to be dating or doing social networking online, and that medium is what people spend hours a day in front of at work, then that's the outlet that will satisfy that basic human need.

But our numbers demonstrate that our customers are different from the people who spend the day in front of their PC because of their work. There are actually more people in the United States and globally who aren't in front of a PC all day. We recently did a survey there that showed 59% of respondents did not own a PC. They are taxi drivers, people working in hair salons, students . . . the people who power America don't sit behind a computer all day, they work in Starbucks, or at a job where they have to move, and for those experiences, a mobile phone is essentially a PC replacement. Nokia did a survey a couple of years ago which found that the highest number people who play games on their mobile phone are London taxi drivers! It's not a kid with a PlayStation 2, it's the average person who has five or ten minutes of downtime and their phone is their outlet for passing that time.

WIQ: Can you tell us anything about the demographics of your community members?

FG: In the survey I just mentioned, we got 30,000 responses in 90 minutes, all via their phones, all in the United States. We found that over 80% were between age 18 and 30; 33% spend over \$80 a month on their phone bill. 42% pay over \$100 a month on clothes and entertainment. We asked them whether they'd prefer to chat on the phone or watch TV, and over three-quarters said they'd prefer to chat on the phone.

WIQ: You seem to be focusing on language groups in building these communities. Is that going to be your major thrust?

FG: No, there are different channels of growth. In the beginning we pushed it to the telcos. So, a product on Sprint; a product on Verizon, and so on. On the second pass, our key premise has been to pick

perennial topics that people will congregate around and have a discussion over. Some of the perennial topics that like-minded people will congregate around are sports, for example, and music, and language. In the United States you've got 40 million Latinos; almost everyone in that population self-identifies as being Latino and proud. So it's a natural, perennial topic to tap into and build a community around.

The next step is to build a branded community. In Asia we work with MTV to build an MTV-branded community off-deck, meaning that any customer on any network can access that service, can get it on their phone, can interact with other people that are interested in MTV-branded products. Chatting, IM, photo sharing, mini-blogging: they do that every day. It also gives MTV a chance to promote services that are MTV-oriented and branded, to those users. So our next step is the idea that our technology and our backend and our software is all the same – it's really how you spin it to go to market.

I could visualize people going to Mission Impossible 4 at the movie theater and texting to join the Mission Impossible community, because there are thousands of people around the country watching that movie at the same time. You can interact with them on your mobile phone during and after the movie. Tom Cruise is a pretty strong draw for people to sit around and talk about.

WIQ: That brings up the question of advertising and marketing, and how they differ in mobile social networks compared to online ones.

FG: There's a lot of hype in the mobile advertising space. But the real message is: make it relevant; make it targeted; don't make it disruptive. Our belief is that what mobile advertising is missing is feedback to the advertisers, allowing them to target their ads to the right people. Right now, people are just buying ads randomly to get them on phones, but targeting the advertising is going to get a much higher click-through rate, with an increased spend as a result. You've got millions of people interacting every day, spending an hour a day on their phones, and they are volunteering their identity: age, sex, location. That means the ability to target-market services and applications to those users a lot more effectively. You can craft a litany of different ad campaigns: for example to Latino males in New York on the Cingular network who have been online in the last 24 hours. Starting with ten million users, you can narrow it down and target-market to that user, and as a result an advertiser gets a higher click-through rate and more intelligence about the customer.

Already we've seen some early results. We've got companies like Jeep, Schick, Verizon and others advertising into our network and target-marketing our users with promotions, campaigns, and brand-building exercises, and getting a result that's over ten times the result of an online spend. Right now the click-through rates in our system are in the 5% range, whereas typical online click-through rates are in the 0.5% range. So it's a novel mechanism where you can target people really effectively.

WIQ: Wouldn't it also be true that the narrower a population niche you aim for—say, fans of a particular musical artist—the smaller your target audience?

FG: Sure, but the idea is that the advertiser—in this case, the record label—gets a list of people who have proactively joined to be “in the know” about that artist's announcements. If I join that artist's community, I'm sharing my personal information with the community because I want like-minded people to be able to find me and know who I am. The ROI that the advertiser is going to get as a result of that is huge, because for them to get a list of a couple of hundred thousand people showing the same information would cost them typically \$5.00 to \$6.00 per customer.

WIQ: It's somewhat similar, isn't it, to what's starting to happen in the world of video-on-demand, where new ad-insertion technologies mean the ability to deliver targeted ads to particular household members based on viewing choices, and change them more or less “on the fly”?

FG: What that demonstrates to me is that advertisers have a need to get more feedback from the medium. Mobile communities really short-circuit the need for that kind of technology. If you look at my own MySpace profile, for example, because I want people to be able to find me, I tell people that I'm

28, I tell them that I'm in Vancouver. So I'm proactively fitting myself into specific demographic mold. I'm basically self-profiling, which eliminates the need to have technology do it.

WIQ: And for most of us, the more tightly targeted the ads that are presented to us, the happier we'll be.

FG: Absolutely. When we do, for example, a game promotion to a gaming community, we can get a click-through rate of over 90%, because we're giving a free game trial to people who are self-confessed gamers.

WIQ: You have relationships with carriers on every continent. What differences do you find in your activities in different regions of the world?

FG: We already generate sales in over 30 countries. We've had a physical presence in the UK for almost a year now. You probably wouldn't guess this, but the United States is our most successful and most advanced market. Everyone assumes that the US is behind in wireless technology or services, but over 60% of our 10 million customers are in the United States. It's our highest traffic market and our highest growth market. That's being driven by the fact that data rates in the US are actually pretty affordable. So to use the service on Sprint, for example, you'd pay \$3.99 a month, for unlimited access. Whereas in most other markets you'd be paying per minute or per kilobyte.

Having said that, we've just starting to push into continental Europe. Our growth path there mimics our growth path here, that is, securing the mobile operators first, and giving them a branded service; and then building a platform that we can push out to brand-holders and advertisers and third parties. That's the business model we have in almost every market we're in around the world now. It's a timed push, because ultimately for our services to be successful, data rates have to be affordable for the consumer. Now rates are going down in France and Germany, so we have plans to expand into those markets.

WIQ: How big is the overall mobile community market now, and how fast do you think it will grow?

FG: We estimate the revenue to the mobile operators this year at \$200 million this year. Certain analysts have said that mobile advertising business is going to be \$10 billion by 2010, but I don't really buy that; I think \$4 billion is a reasonable target for the mobile community space, continuing the current growth rate and based on comparable growth in the online space.

WIQ: What are your latest initiatives and future plans?

FG: AirG recently announced a mobile community contest along with Boost Mobile and West Coast Customs (they used to do the MTV "Pimp my Ride" show). This new contest, which will offer a member of Boost's Hookt community the chance to win a new car, is a tangible example of non-traditional advertising campaigns that are increasingly being targeted towards mobile phones.

We spend millions of dollars a year on R&D, working to find the most innovative ways for people to seamlessly interact on their phones. Now, we're doing the R&D for voice connections and video connections.

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