



Business Models in Evolution

How Community and Demographics will
drive change (with an eye on market volatility)

Lincoln Crowne & Company Singapore CEO Breakfast Briefing
16th August 2007



Objective



How does Market Volatility effect this ?

1. Back to basics – investors always support sound businesses
2. How are markets and communities changing ?
3. What can I take away from today that is useful ?

Last night :

DJIA down another 1.3%.

Australia's Basis Capital suggests might lose 80% of one Fund

Fed adds another US\$7bln to market

Country Wide Financial drops 13% overnight

Asian currencies smashed – A\$ back to 7860 from nearly touching 89

Lincoln Crowne & Company is a boutique investment bank that specialises in providing creative and innovative strategies to companies in the Telco, Media and Technology space. The Firm has representative offices in Sydney, Singapore, Ho Chi Minh City, Kuala Lumpur and Mumbai.



The Evolution of Membership Communities



Technology has brought membership communities together rapidly and deeply in a borderless environment

	Yesterday	Today
Cost	Paid a fee for membership	Registration free (typical)
Access	Difficult to find due to geography	Search engine allows immediate location and interaction locally and cross border
Involvement	Physical interaction a barrier (shy)	Anonymity and access result in rapid interaction
Leadership	Leadership / Hierarchy clear	'Swarming' with multiple influencers & influences
Traction	Long for traction / Switching risk low.	Binary – may have access to multiple communities. Rapid turn off
Choice	Limited & local	Multiple, high and global
Information	Slow to learn	Information saturation. Viral.
Connectivity	Low due to predominantly physical.	Real Time deep experiences

Tip 1: Drill down to understand grass roots behaviour



Pure Community – but how Viral ?



PR Release 8th August 2007

Intersect of Distributor / Service Provider / Hardware

“Just in time for back-to-school, Sprint customers now have access to more family safety services than ever before. Sprint (NYSE: S) announced today that FamilyWatchdog, a free resource for mapping addresses of registered sex offenders, is now available on select Sprint phones. In addition, the popular Sprint Family Locator service is now available on more than 100 locatable phone models, including the new MUZIQ™ by LG® and the popular UpStage™ by Samsung®. Sprint Family Locator is also a sponsor of the America's Most Wanted Safety Center, an online site providing tips to keep families safe.

"Many parents rely on wireless phones to help them stay connected to their children wherever they go," said Kevin McGinnis, director of wireless data product management for Sprint. "Sprint Family Locator is a valuable tool that many parents are using to get a better sense of their children's whereabouts when they're apart. With the launch of FamilyWatchdog Mobile and the sponsorship of the America's Most Wanted Family Safety Center online, Sprint is helping to provide even more ways for parents to get information on keeping their families safe, just in time for the back-to-school season."



'Community' Interaction



Industry	Observations	Community Benefit	Challenge & Opportunity ?
Telco	<p>Competition</p> <p>Margin Pressure</p> <p>CAPEX –v- ROI</p>	<p>Glue that holds the communities together.</p>	<p>How to increase margin and reduce churn ?</p>
Media	<p>Fragmented</p> <p>Highly competitive</p> <p>BLOGS (self creation)</p>	<p>Lots of information available. Increased the education 'bar'.</p>	<p>Cornering community interaction – be that free or pay for play.</p>
Marketing	<p>The playing field for marketing has widened.</p> <p>Competition for the \$ has increased.</p> <p>Paybacks being scrutinised.</p>	<p>Viral nature of communities means that marketing that successful delivers great traction.</p> <p>Cool marketing increases community experience.</p>	<p>With so much marketing taking place how does one deliver traction amongst the noise ?</p>
Advertising	<p>Can be really hit and miss.</p> <p>Evolve to be more specialised (-v- branding).</p> <p>Guerrilla</p>	<p>Tailored advertising which enhances the community experience is well received.</p>	<p>Cost / Benefit critical.</p> <p>Guerrilla marketing to penetrate communities possible.</p>



'Demographic'/Geography Opportunities



	Observations	Demographic Planning	Challenge & Opportunity ?
Telco	<p>Young High Users</p> <p>Variety products: SMS – v- Voice –v- Data</p> <p>Status Symbol</p>	<p>Kids: Safety</p> <p>Tweens: Cultural</p> <p>20 / 50: Communication</p>	<p>Introduce complementary products to mobile / data / fixed line.</p>
Media	<p>Fragmented</p> <p>Different Demographics different user patters.</p>	<p>Wide sector: Content spans Gaming to Premium Services to free.</p> <p>Mobile TV (<i>Sprint</i>)</p>	<p>Following demographic trends cross border (adjusted of course)</p>
Marketing	<p>Tweens tough market.</p> <p>Different communication strategies for each demographic.</p> <p>Influencers play key roles.</p>	<p>How are demographics buying patterns changing ?</p> <p>Is there predictability ?</p> <p>Establishing credibility.</p> <p>Satisfying immediate satisfaction.</p>	<p>Following demographic trends cross border.</p>
Advertising	<p>Clutter in communication.</p> <p>Cynicism in youth – initiatives tailored to these markets can fail.</p>	<p>What does not work ?</p> <p>Why has credibility failed ?</p> <p>How are needs and desires changing in real time ?</p>	<p>Online & offline strategies critical to <u>activate</u> consumer demand.</p> <p>Need to overcome confusion aspects.</p>



Tailoring Product to Market Sector



Chasing Community / Sector

IINET TO PROVIDE UNMETERED DOWNLOADS ON ITUNES

24 April 2007– iiNet Limited Chief Operating Officer, Mark White, announced today an exclusive arrangement where iiNet members can download music and video files purchased from iTunes without affecting their monthly download quota.

Mark White said the ability to download from iTunes without affecting monthly quota limits would be an exciting prospect for any current or future iiNet member.



Case Study : Confused Mid Market



Organisation Facts:

Community : In excess of 170,000
 All spending \$\$
 60% at 60yrs +
Revenue: USD\$150,000,000 +
Demographic: Bias to 50 +
Internet Penetration : 50% approx.
Mobile Penetration : 95% approx.

Client Objectives:

Participants : Increase number
Benefits: Expand
Marketing : Legacy
Advertising: Legacy
Revenue: Increase
Demographic: Shift Lower

Phase 1: Inquiry

LCC due diligence concluded the following

- Low understanding of value of user base (core asset).
- Low understanding of benefits of integrated new media and old media strategy.
- No User acquisition of retention programme.
- Low member benefits.
- Poor communication with community.
- 'Stale Brand' in need of modernizing.

Phase 2: Planning

Initial planning included:

- Conduct of high impact / urgency analysis to target delivery to client of high value results.
- Setting goals that would result in the organisation:
 - Increasing knowledge of alternatives.
 - Adopting an entrepreneurial approach to partnering.
 - Recognising the requirement of enriching the participants experience in a meaningful fashion.
- Looking for commercial arrangements where the client can effectively earn 'sweat equity' as a part of the process (*big blinks when LCC suggested this - could we do this ?*).

Phase 3: Implementation

LCC is in process of fashioning a new offering that will combine:

High value content, tailored for the community including creation of a deep social network, news services, mobile phone offerings (*potentially MVNO styled*).

Introducing marketing and advertising agencies to deliver creativity (integrated ones getting all parties to work together - and charge higher fees as a result).

Underpinning business models with commercial deals that will result in equity entitlement.

A deep multi faceted solution for the client.



Why Invest / Take Strategic Stakes ?



Value is no longer a linear progression. Communities can create an exponential value proposition in a highly compressed timeframe.



Closing on 8.9million members

Although purists would suggest that strategy dictates strategic stakes are non-core, LCC's view is that today collecting such assets is equivalent to 'Wildcatting' in the oil industry - that stake might just be worth a lot one day (*a rich oil deposit*).

Tip 2: Cut Commercial Deals that get 'skin'



New Media / Telco Market Activity



Sample transactions & strategy where traditional model evolving rapidly



Acquires **MODULOUS VIDEO** (mobile video on demand) (17th May 2007)



Marketing Joint Venture (mobile enterprise CRM solution) (23rd April 2007)



Announces multi year deal with ABC and Disney (15th May 2007)

* First Mobile Carrier to offer on demand full length episodes of Hit TV Shows including 'Desperate Housewives', 'Grays Anatomy' and 'Lost'.



'Next Generation' Strategy including IPTV, Directory & Content (incl T.V.) (2007)



Venture to offer Social Networking to Mobile Customers (16th May 2007)



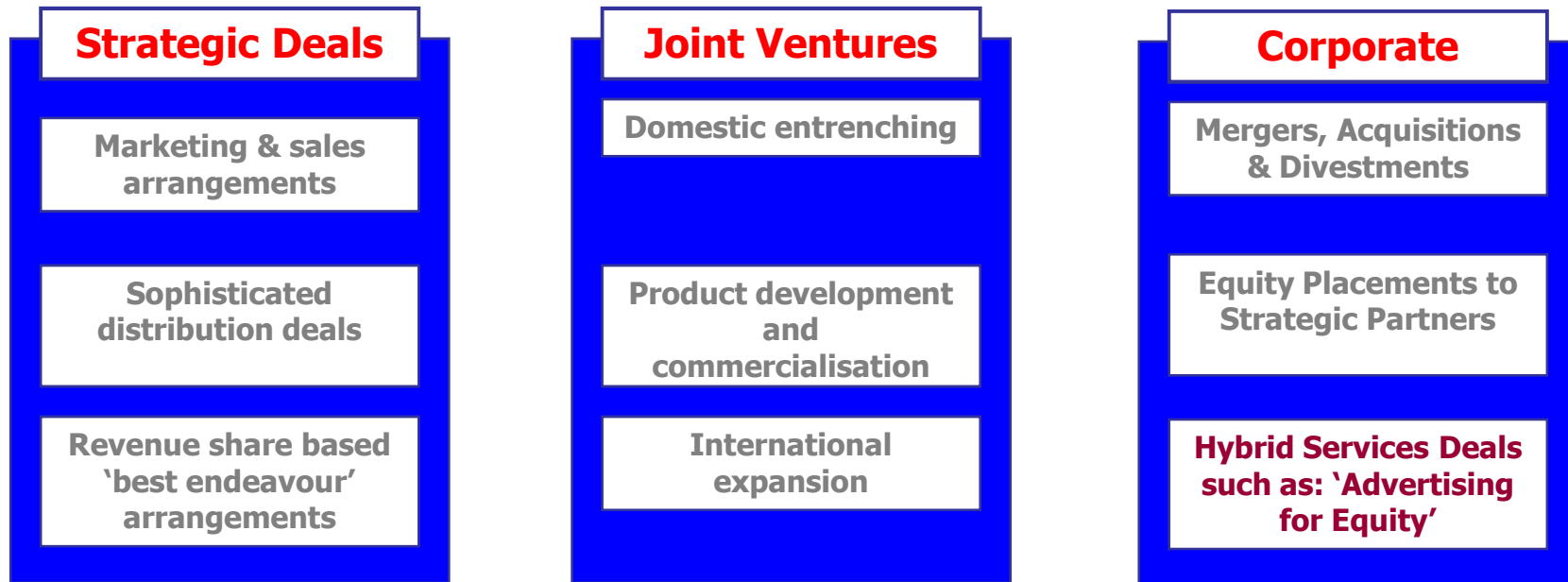
Launches Mobile Content Challenge for content creation in Malaysia (10th May 2007)



Potential Initiatives



An aggressive approach to drill deeper & capture higher profits

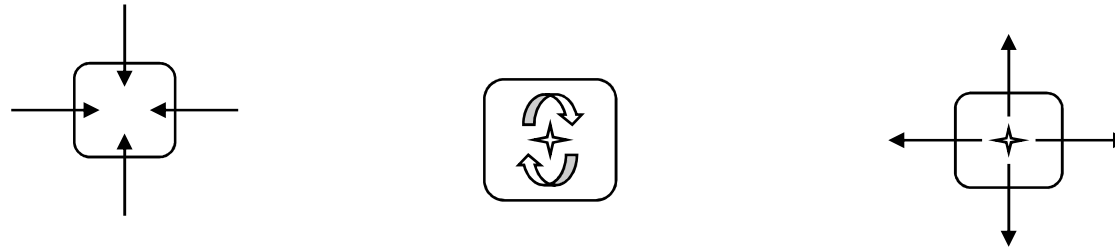


The above are only an illustration of the style of transactions and arrangements that are taking place in the marketplace today.

Idea : Develop Think Tanks



LCC promotes an arms length collaborative approach



LCC's views are as follows:

1. Think tanks need to be independently staffed.
2. Incentives need to be in place from all stakeholders.
3. Mission to look for collaborative initiatives that provide great value, but simplify the client's business life.
4. Have learning centralised in Databases.
 1. Create a multi corporate learning pool.
 2. Share in the knowledge.
 3. Attack markets jointly.

Tip 3: Collaboration with other Vendors deepens community tie



Concluding Thoughts



Differentiation in approach is the key

- * Selling single offerings is a 'sunset' strategy.
- * Edges of the various business models are 'greying' quickly.
- * Competition exists in the extreme – capital and information have resulted in successful business models being replicated rapidly.

Summary:

1. In turbulent times get even deeper with customer.
2. Take stakes. Consider outsourcing management to a VC (*for free carry*).
3. Understand community elements – and traditional shortfalls of tapping in.
4. Develop think tanks & collaborative.
5. Use the military concept of 'swarming' = attach a market from all angles.
6. Differentiate your thoughts and offerings, making it really convenient for the community to engage.



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