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Lester showing a GPS device. M3 Technologies is banking on this hot market segment to drive future growth and is coming up with its own product.

Reaching beyond mobile

BY DOREEN LEONG |

M3 Technologies (Asia) Bhd, formerly AKN Messaging Technologies Bhd, is expanding its product range and services to ride the growing popularity of online stores. The company — known more for its mobile content and application services — launched its own online store, www.m3gps.com, in November last year.

The store has seen its revenue grow over 10 times on a month-on-month basis, says group chief operations officer Lester Neil Francis. This month, it will lock in revenue of above RM200,000. The store will soon be renamed m3asia.com and will add links to Thailand, Indonesia and China, offering country-specific products.

"Starting an online store was one of the most challenging things we have done in a long time. We are trying to mirror Amazon. At the moment, it is very straightforward — our online store is mainly to push our global positioning system (GPS) initiative," Lester says.

The company is currently a reseller of GPS products, including Garmin, one of the more established brands. But by the end of next month, it will launch its own brand of navigation device, making it the second Mesdaq company to offer such a product after K-One Technology Bhd.

Lester is clearly excited. "We are in the midst of manufacturing our own personal navigation device (PND)."

He points out that PND is also a GPS device, but it comes with more functions such as playing videos and MP3 songs.

"For the last six months, we have learnt about the different features of a navigation device — how fast it picks up a satellite signal, what kind of map source we should have, what kind of internal memory we need and the ideal size," he says.

The PND will be manufactured in China but designed by the in-house team.

"GPS is our primary focus because it is one of the hottest segments in the gadget market at present," says Lester.

Early this year, M3 Technologies secured exclusive distributorship rights to Altina, a Taiwanese brand, for the Malaysian, Indonesian and Thai markets.

Lester is enthusiastic about the prospects of Altina, which is also a PND and a cheaper alternative to Garmin, which is a purely navigation device. He gives the assurance that there will be no compromise in terms of quality. The company now has some 20 dealers selling Altina nationwide.

While its online store mainly features GPS devices, he says there are plans to sell other products like luggage and books. It also offers Apple products and accessories, such as the iPod shuffle and iPod Nano, as well as Acer and Dell notebooks.

"We are also selling online magazines; we have signed up 20 magazines and are targeting to rope in 30 to 40," Lester adds.

Currently, M3 Technologies' mobile content business generates more than 90% of its revenue and bottom line but the company is aiming for its online store to contribute equally in five years.

"All these initiatives are a whole new science for us... it's a learning curve. We are learning to deal with the retail market and with people who have online experience. People who buy online are different from those who buy from physical shops," says Lester.

Not neglecting mobile business

While it is aggressively pushing its online activities, M3 Technologies is not neglecting its bread-and-butter business — mobile content.

"Our mobile team remains intact. We are seeing a y-o-y growth of 10% in mobile services in Malaysia even though the mobile market is saturated, with about 27 million subscribers.

"We are still seeing growth because of consolidation in the industry. There were a lot of fraudulent players before and we had the Malaysian Communications and Multimedia Commission coming up with guidelines to curb them," Lester says.

A lot of these players have closed shop.

However, margins are tight — especially for SMS transactions — because of intense competition. "Sometimes, our competitors even compromise on the quality of delivery by using international gateways to process transactions, which is cheaper

but less reliable than using local operator gateways," Lester adds.

Margins in its mobile business — mostly SMS promotions/blasts — vary, depending on the business model and product channel. Typically, the margin is less than 20%, depending on the volume of transactions. Corporate solutions, though, command a higher margin of about 40%.

As for the company's online business, margins have remained constant in the past six months — an average of about 30% to 40% — mainly due to high demand and less competition. However, this does not take into consideration advertising and promotion expenses.

According to Lester, public maturity in terms of using mobile service has improved. For example, more people are now using their mobile phones to do banking transactions.

The company also sees ample opportunities in the mobile content business abroad. It already has a presence in six countries — China, Thailand, Indonesia, Hong Kong, Singapore and Pakistan.

"For instance, Pakistan has a population of 150 million but only 90 million mobile subscribers. And these subscribers are only using mobile phones to make calls and have not gone on to the data side yet. That maturity hasn't taken place yet. There is a lot of room to grow in these countries. Hence, our conventional mobile business will remain. We have the expertise and experience as we have been doing it for the last 10 years," Lester says.

In Malaysia, however, downloadable content is no longer the focus.

"We used to sell ring tones, pictures, wallpapers, java games. Now the only downloadable content that we focus on is java games and themes because these are the things the users cannot do themselves. Ring tones now come together with the phones and can also be downloaded from computers and CDs," Lester says.

M3 Technologies also provides new technology such as 3G video calls. Lester explains that the service is provided to radio stations whereby subscribers can view the radio deejays and their guests via 3G video calls. Such new technology is gaining ground and has clocked in a reasonable 70,000 minutes to date, he says.

Naturally, the backbone of any technology company is the R&D staff. M3 Technologies prides itself on employing local talent who stay faithful to the company.

The company, Lester says, is the brainchild of its managing director Lim Seng Boon, who came up with the idea of venturing into the GPS space.

"You will never catch him during the early part of the day as he works from afternoon to early morning. He goes to bed at about 6am and gets up at about 3pm," he adds.

It looks like the company never sleeps. Not only does its managing director work odd hours, but the company also has a support team that is available 24/7.