ax^6 networks

january 2002

Business Plan Copy Number _____

This document contains confidential and proprietary information belonging exclusively to gertis.*media*.

hubert gertis
president
601 W 26th st 4fl
new york, NY 10001
tel +1.646.552.9507

Table of Contents

1. Executive Summary

1.1.   Present situation

ax^6 networks is currently in the pre-seed phase. Currently under development are a business plan, corporate structure, a software roadmap and its requirements specification.

1.2.   Objectives

ax^6 networks positions itself as a CRM-infomediary in the music industry. By enabling artists, clubs, and smaller labels to communicate effectively with their respective fan-, guest-, and customer-base, ax^6 networks creates a win win situation for all participants.
The technical set up of ax^6 networks as a centralized organization not only enables us to roll out our services in other countries failry easily. Every new market essentially boosts the economies of scale of the whole system.
After a five year run, ax^6 networks should be established as a B2B2C service in several European countries, generating revenues in the region of seven Million Euro, and percentagewise a fairly substantial income in the double digits range. Depending on the developments in wireless infrastructure in the US, an American subsidiary might become relevant.

1.3.   Product / Service Description

ax^6 networks enables artists, clubs and labels (primary accounts) to easily communicate with their target groups (secondary accounts). End users are the mobile urban, young & restless (16-35). Communications toolsets like email lists or bulk SMS services are readily available – but come either with a hefty price tag attached, or are targeted at a technologically oriented user group.
ax^6 networks takes mostly already available tool sets, preferably out of the open source environment, bundles them, and offers them to the aforementioned target groups as one easy to use package – call it multi-platform push button publishing for the technologically challenged. Or CRM for artists, clubs and labels.
Financed partly by advertising (due to the relevancy of the end users as a target group), partly by premium fees for corporate accounts (communications ASP for clubs and labels) and partly by distributing the cost of publishing to subscribing users via reverse billing SMS (micro payment aggregation, with outpayments for the content provider), the service will be virtually for free for the account holders, even generate a modest outpayment for very active users.
Contents like event data, news releases or any other (mostly) textual communication of the content providers will be published via
- email lists
- SMS
- on a web server specified by the account holder
- on a centralized directory
- on a centralized calendar
- in syndication
ax^6 networks generates a profile of the end user. By mapping the categories of different places, the thereby generated profile becomes highly portable: A user from Berlin gets his localized choice of clubs, events, and people – even if he logs on in New York City, Barcelona, London, or Tokyo – as long as a sufficient base of primary accounts is already using the platform.
ax^6 networks itself is structured as a self-sustaining data acquisition engine, based on the value every participant is equally adding to the system as well as receiving from the system:

- emotional and informational value for the end-user.
- promotional value for booking agencies, clubs and labels.
- multilevel financial incentives for actively contributing end-users, artists, labels, and clubs.

1.4.   Market Analysis

The target group ax^6 networks sees as its end consumers might already be called generation SMS. A UK survey showed for April 2001, that 97% of all mobile users between 15 and 24 years old did use SMS. In the age group 25-34, 83% did use SMS in that month.

SMS reverse billing brings in new opportunities for publishers. The web and email have always been virtually free services. But every SMS sent has been payed for by the user.

GoldMedia calculates for the year 2006 with 66 million mobile users in Germany, 32 million of those will use mobile broadcast services. By 2006, mobile advertising services will have grown to almost 500 million Euro, mobile pay services will grow to almost the same extent.

1.4.1. Customers

ax^6 networks differentiates between four kinds of customers: primary accounts, secondary accounts, corporate accounts, and advertisers. Primary accounts are artists, clubs, and labels. Secondary accounts are the end users, recipient of the messages published by the primary accounts, and directly connected to the specific primary accounts and their services they did subscribe to. Corporate sell ax^6 networks' services under their own brand. Advertisers are, well: advertisers.

1.5.   Marketing Strategy

The primary target groups will be reached via a specific mix of marketing measures. Advertising will play a not too important role in our marketing mix. Partnerships with the media outlets, public or private institutions are preferable specially for reaching into the artist community.

Fairs like Popkomm or Midem are good way to get in contact with small labels. Clubs will be mostly approached by evangelists/sales reps.

1.6.   Planned Products/Services

The upcoming 3G networks will bring certain multimedia capabilities to the end users. This will in the long run enable ax^6 networks and its primary accounts to offer new products and services to all subscribers.

i-mode in Europe, launched by DoCoMo's partners and subsidiaries like KPN in the Netherlands and ePlus in Germany might generate further possibilities to broaden the revenue stream, depending on the market penetration i-mode will be able to reach.

The needs of primary accounts in the label subset might be furthermore assisted by enhancing the CRM capabilities by linking ax^6 networks' system with real sales data.

The core software can be repackaged and customized for other markets.

1.7.   Financial Projections

ax^6 networks calculates with an overall investment of five million Euros before reaching break even in the 3rd year of being operative in six European markets. In its fifth year, revenues should reach the seven million Euros mark, with EBIT of 1.5 million Euros.

1.8.   Management

ax[6] networks' management comprises several years of experience in the interactive world. The two founders, Hubert Gertis and Simon Hossell, are both regular speakers on international events like Internet World, the Streaming Media fairs, Popkomm, Mecon, DDMI, MP3.com Summit, and others.

Hubert Gertis, a German citizen, has been running for some years his own New York based consultancy, working for clients like Bertelsmann, Intel and several start-ups. Hubert started his career as a journalist, ran for several years a small news agency as editor in chief, and co-founded a bar in Munich.

Simon Hossell, a British citizen, runs his own consultancy in Paris, France. Simon started his career in the wireless sector, was Strategic Adviser on Payment Solutions to the European Multimedia Forum, and Simon holds an honors degree from Cambridge University and an MBA from Manchester Business School.

2. Present Situation

ax^6 networks is currently in the pre-seed phase. Currently under development are business plan, corporate structure, a software roadmap and its requirements specification.

2.1.   Market Environment

Communications toolsets like email lists or mass SMS services for artists, bands, clubs or smaller independent labels are readily available – but come either with a hefty price tag attached, or are simply targeted at a core technology oriented user group.
ax^6 networks will bundle already available tools, preferrably out of the open source environment, bundle them, and offer them to the aforementioned target groups as one easy to use package.
By adding advertising support and distributing the cost of publishing to subscibing users via reverse billing SMS, the service will be virtually for free for the accounts.

2.2.   Pricing and Profitability

At this stage, ax^6 networks calcaluate with a free service for bands and artists, and monthly fees between Euro 25 and Euro 50 for business accounts like clubs or labels.

2.3.   Customers

Currently, ax^6 networks has no customers.

2.4.   Management

The two founders, Hubert Gertis and Simon Hossell, are both regular speakers on international events like Internet World, the Streaming Media fairs, Popkomm, Mecon, DDMI, MP3.com Summit, and others.
Hubert Gertis, a German citizen, has been running for some years his own New York based consultancy, working for clients like Bertelsmann, Intel and several start-ups. Hubert started his career as a journalist, ran for several years a small news agency as editor in chief, and co-founded a bar in Munich.
Simon Hossell, a British citizen, runs his own consultancy in Paris, France. Simon started his career in the wireless sector, was Strategic Adviser on Payment Solutions to the European Multimedia Forum, and Simon holds an honors degree from Cambridge University and an MBA from Manchester Business School.
Currently, ax^6 networks is evaluating several qualified people for the position of CTO.

2.5.   Financial Resources

ax^6 networks is currently in the pre-seed phase.

gertis.*media*   starrett-lehigh /the thing
                      601 W 26th st 4fl   telUS: +1.646.552.9507
                      new york, NY 10001   telEU: +49.(0)172.820.8231
                      info@gertismedia.com   fax: +1.212.699.4247
                      http://www.gertismedia.com

page **7**/7 - © 2001/2002 hubert gertis, gertis.*media*

3. Objectives

ax^6 networks positions itself as an ASP with infomediary components, initially targetting the music industry. By enabling artists, clubs, and smaller labels to communicate effectively with their respective fan-, guest-, and customer-base, ax^6 networks creates a win win situation for all participants.

Main reasons for targetting the music sector are:
- the strong influence of digitally networked entertainment on the existing business models of the music industry.
- the usually very strong emotional bond between service providers (e.g. artists, labels, clubs) and the end consumer.

Due to the interlocking marketing goals of the primary accounts (artists, clubs, labels), ax^6 networks can furthermore offer crossmarketing capabilities for all parties involved.

The technical set up of ax^6 networks as a centralized organization not only enables us to roll out our services in other countries failry easily (as long as the mobile network operators offer SMS reverse billing). Every new market essentially boosts the economies of scale of the whole system.

After a five year run, ax^6 networks should be established as a B2B2C service in several European countries, generating revenues in the region of seven Million Euro, and percentagewise a fairly substantial income in the double digits range.
Depending on the developments in wireless infrastructure in the US (e.g. i-mode by DoCoMo/AT&T wireless), an American subsidiary might become relevant rather sooner than later.

3.1.   Objective: Creating Win Win Situations

The primary objective for ax^6 networks is creating a win win situation for all parties involved. This translates into the following:

3.1.1. Primary Accounts

ax^6 networks enables the primary accounts to streamline their businesses and create additional value out of it, due to
- stronger communication with their target groups
- reduced workload due to a highly automatized system

3.1.2. Secondary Accounts

ax^6 networks offers subscribers emotional value and material incentive – in exchange for minor payments.
A mid to long term objective of ax^6 networks is to establish itself as a consumer brand, offering access to music and nightlife oriented entertainment services to its subscribers.

3.1.3. Stakeholders

ax^6 networks will offer its stakeholders a fairly substantial increase in the worth of their initial investments, as a fairly lean corporate structure combined with the outlook onto real revenues and thereby generated income will enable ax^6 networks to generate a relevant ROI – even if, like in the current market situation, an exit strategy like an IPO might look not too promising.

3.2.   *Driving Factors*

By satisfying the primary target market's need to effectively communicate their services and products, and leveraging the emotional needs of the secondary target groups, the end users, ax^6 networks is building a broad platform without any top-heavy investments in consumer marketing. Ease of use, the push button publishing, will be crucial.

Being a services company, our main assets will be our client and subscriber base.
By virtually building a system based upon different feedback loops, the more a primary account takes advantage of the platform, the more material his incentives become (besides the harder to measure returns like an increase in revenue). Example: the more subscribers a club finds for his SMS service, the less it has to pay – up to the point, where essentially ax^6 networks pays the club for using the platform.

3.3.   *Business Goals*

ax^6 networks will be a customer centric company, whereby customers include primary and secondary accounts. Of highest priority is the ease of use, from a streamlined, multichannel opt-in/opt-out process for subscribers to a push button workflow for the primary accounts. ax^6 networks' special focus will be on the specific needs of the different primary account groups.

By satisfying their needs, ax^6 networks will be able to grow fairly fast in terms of messages served to subscribers, and the thereby generated income.

Compared to existing communications product and service providers, ax^6 networks' focus on the needs of its primary account base (in terms of the actual service as well as its pricing), combined with a sales strategy which will partly rely upon market insiders acting as evangelists/percentage based sales representatives, the actual access to the market will be fairly easier achieved than for incumbent providers with their mostly pure technology based approach.

3.4.   *Management Experience*

ax^6 networks' management comprises several years of experience in the interactive world. The two founders, Hubert Gertis and Simon Hossell, are both regular speakers on international events like Internet World, the Streaming Media fairs, Popkomm, Mecon, DDMI, MP3.com Summit, and others.

3.4.1. Co MD: Hubert Gertis

Speaker/moderator on major conferences:
Streaming Media Europe, London
Streaming Media Berlin, Berlin

gertis.*media*   starrett-lehigh /the thing
                        601 W 26th st 4fl   telUS: +1.646.552.9507
                        new york, NY 10001   telEU: +49.(0)172.820.8231
                        info@gertismedia.com   fax: +1.212.699.4247
                        http://www.gertismedia.com

page **9**/9 - © 2001/2002 hubert gertis, gertis.*media*

Internet World, Berlin
Popkomm, Cologne
Münchner Medientage, München
Mecon, Cologne
Euroforum, Paris
Deutscher Multimedia Kongress, Stuttgart
Interactive Services, Hamburg

4/2000-	**gertis**.*media*, Hamburg, New York: development of and consulting for interactive media ventures major clients: Bertelsmann, Intel Europe.
1999-4/2000	business consultant at Icon Medialab NYC - International coordinator automotive industry sector Icon Medialab
1998-1999	business consultant at Icon Medialab Germany. Instrumental in building up Icon Medialab Germany from 6 employees to 90.
1996-1998	US-based consultant for German media companies (Premiere, Gruner + Jahr, ...) on digital, interactive services.
1996-1997	development of "Nach uns die Zukunft – eos2", the first German cyber soap
1994-1996	US-correspondent Cable & Satellite, Germany, Internet World, Germany
1992	co-founder Egon Bar, a hip and trendy nightclub in Munich
1990-1994	editor in chief of a Munich based news service on tv content
1987-1990	freelance work (e.g. PC World)
1987-1990	studied philosophy in Munich
1985-1987	trained as a journalist
born 1963	

3.4.2. Co MD: Simon Hossell

3.5.   *Return on Investment*

ax^6 networks expects to become profitable in its third year of operations. After a total investment of five million Euros, ax^6 networks will be oparetive in six European markets (initially Germany, UK, France, followed by Spain, Italy, and Scandinavia).
The projected annual revenue will be approximately seven million Euros, generating an income (EBIT) of approximately 1.5 million Euros.

3.6.   *Position for Growth*

ax^6 networks leverages the marketing power and need to communicate of its primary accounts, to build a diversified, but highly targetable community of young and mostly urban users.
As an infomediary in the music industry, ax^6 networks will develop its services to deliver additional value to its primary accounts, thereby opening new revenue streams especially for independent labales and artists in the mobile services market.
ax^6 networks' core software package, initially customzized to cater to the music industry, can be furthermore adapted to other industries.

4. Management

ax^6 networks is currently in the pre-seed phase. The management comprises solely of its founders, Hubert Gertis and Simon Hossell. Currently, ax^6 networks is evaluating several qualified people for the position of CTO.

Initially, ax^6 networks will be incorporated as an UK based ltd. Main reasons are the speed and ease of the incorporating process. Equally, the UK will be one of our initial launch countries.

ax^6 networks will be run by two co-managing directors, the two founders Hubert Gertis and Simon Hossell.

4.1.   Preliminary Organizational Chart

ax^6 networks tries to develop a clear matrix of roles and responsibilities at a very early stage.

The preliminary organizational chart looks like this:
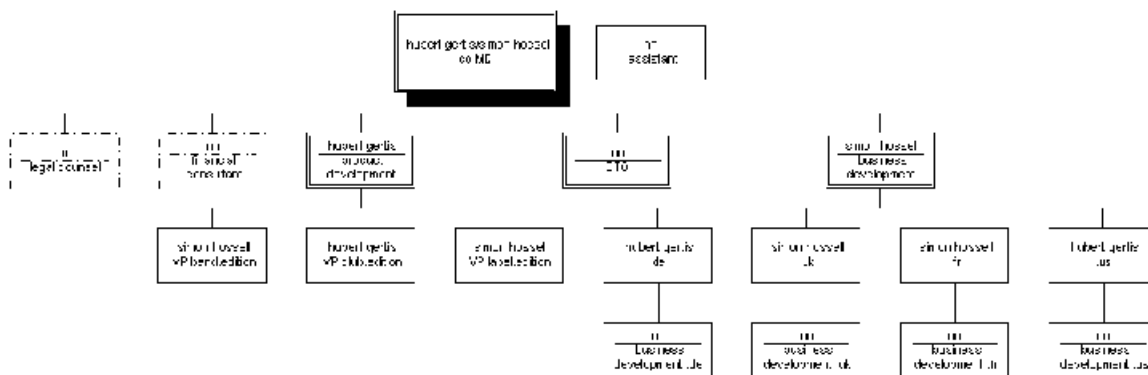
Of the three people who make up the development staff, there are 2 founders
who hold the following positions:
Hubert Gertis, Co MD
Simon Hossell, Co MD
nn, CTO

Each founder has been provided with 50% of the original stock issue.

The founders and key managers of ax^6 networks have combined experiences
exceeding 30 years in the interactive industry.

The strength of the ax^6 networks management team stems from the combined
expertise in both management and technical areas.

4.2. Final Organizational Chart

ax[6] networks' obejctive is to run a very lean organization, which operates in several international markets (at least in the EU).
After having grown its organization, a final organizational chart will look like this:
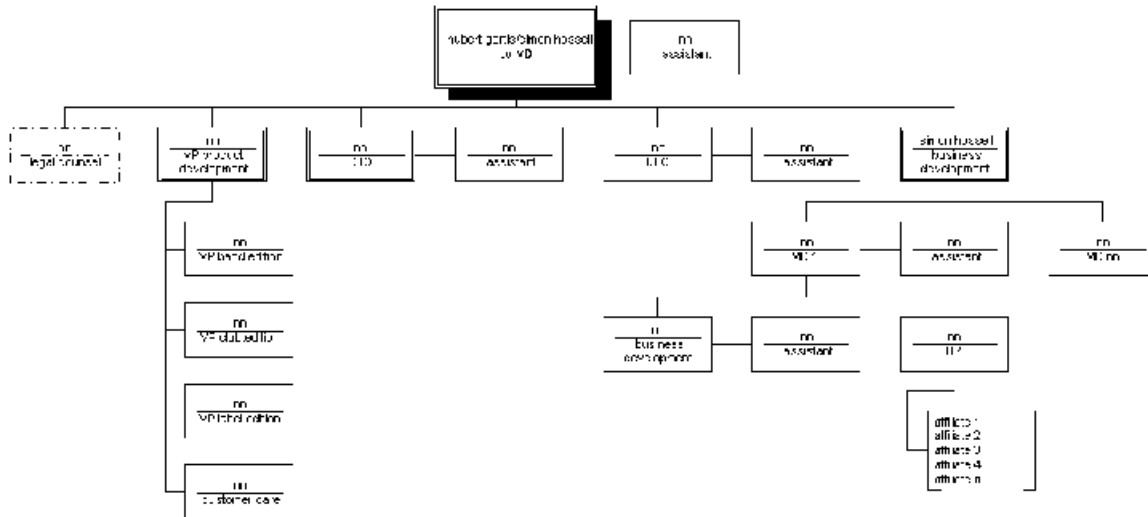
4.3. Roles and Responsibilities

4.3.1. Hubert Gertis, CoMD

Ultimately responsible for product development, and its three line, band.edition, club.edition and label.edition.

Manages beta accounts and customer inputs, develops business models together with marketing, and software applications based on the business models together with CTO.

Manages working capital including receivables, cash and marketable securities.
Performs financial forecasting, including capital budget, cash budget, pro forma financial statements, external financing requirements, financial condition requirements.

4.3.2. Simon Hossell, CoMD

Ultimately responsible for business development and marketing. Manages market planning, advertising, public relations, sales promotion, merchandising and facilitating staff services.

Identifies new markets and corporate scope and market research.

Manages field sales organization, territories and quotas.
Manages sales office activities including customer/product support/service.

4.3.3. nn, CTO

Runs the backend system, is crucial part of the product development team, is projet leader and coordinates the technical development.

4.3.4. nn, Financial Consultant

Accounting, advisor to MD on financial forecasting, tax issues.

4.3.5. nn, Legal Counsel

Development of corporate bylaws, TOS, labor issues. Ongoing counsel to MD on product issues.

4.3.6. VP International Business Development

Coordinates the rollout in the different markets, recruits national MDs (who report to him).

4.3.7. VP Product Development

Responsible for research and product development, channels customer care.

4.3.8. VP band.edition

Responsible for artist related product development

4.3.9. VP club.edition

Responsible for club related product development

4.3.10.   VP label.edition

Responsible for label related product development

4.3.11.   MD national

Runs a subsidiary, which covers specific markets:
- .de: Germany, Austria, German speaking part of Switzerland
- .uk: United Kingdom, Ireland
- .fr: France, French speaking part of Switzerland
- .it: Italy
- .fr: Spain, Portugal
- .scan: Denmark, Swden, Norway, Finnland
- .us: USA

4.3.12.   VP Business Development

Builds up a market presence, handles key accounts.

4.3.13.   VP Human Ressources

Recruits affiliates like Evangelists/Sales Reps.

4.3.14.   Board of Directors

Depending on the final legal form of incorporating, ax[6] networks might need at least three board members to join the company.

4.3.15.   Required Talent

Business development:
Rainmakers for the national markets; to start with, ax^6 networks needs people with heavy ties into the clubbing scene, who will sign up key accounts and are able to get some evangelists/sales reps on board.

gertis.*media*   starrett-lehigh /the thing
                        601 W 26th st 4fl   telUS: +1.646.552.9507
                        new york, NY 10001   telEU: +49.(0)172.820.8231
                        info@gertismedia.com   fax: +1.212.699.4247
                        http://www.gertismedia.com

                        page **14**/14 - © 2001/2002 hubert gertis, gertis.*media*

5. Product / Service Description

ax^6 networks is an international event-based communications service, enabling artists, clubs and labels (primary accounts) to easily communicate with their target groups. End users are the mobile urban, young & restless (16-35), who will receive the messages.

Communications toolsets like email lists or mass SMS services for artists, bands, clubs or smaller independent labels are readily available – but come either with a hefty price tag attached, or are simply targeted at a core technologically oriented user group.

ax^6 networks takes mostly already available tool sets, preferably out of the open source environment, bundles them, and offers them to the aforementioned target groups as one easy to use package – one might call it multi platform push button publishing for the technologically challenged, or CRM for artists, clubs and labels.

Financed partly by advertising (due to the relevancy o the end user as a target group), partly by premium fees for corporate accounts (communications ASP for clubs and labels) and partly by distributing the cost of publishing to subscribing users via reverse billing SMS (micro payment aggregation, with outpayments for the content provider), the service will be virtually for free for the account holders, even generate a modest outpayment for very active users.

Contents like event data, news releases or any other (mostly) textual communication of the content providers will be published via
- email lists
- SMS
- on a web server specified by the account holder
- on a centralized directory
- on a centralized calendar
- syndication

By doing this, ax^6 networks aggregates raw data on local events. This data will be pre-qualified by the interest of the account owners to publish relevant data, and their own categorization into a directory structure. This generates a profile of the end user, which will be primarily localized. By mapping the categories of different places, the thereby generated profiles becomes highly portable: A user from Berlin gets his localized choice of clubs, events, and people – even if he logs on in New York City, Barcelona, London, or Tokyo – as long as a sufficient base of primary accounts is already using the platform.

ax^6 networks itself is structured as a self-sustaining data acquisition engine, based on the value every participant is equally adding to the system as well as receiving from the system:
- emotional and informational value for the end-user.
- promotional value for booking agencies, clubs and labels.
- multilevel financial incentives for actively contributing end-users, artists, labels, and clubs.

5.1.   primary accounts: artists, clubs, labels

For the three basic subsets of primary accounts apply different scenarios in terms of needs and usage. The basic assumption stays the same: a need to automate communication combined with a lack of funding.

	artists	clubs	labels
financial clout	0	6	7
size target group	10	2	2
average email volume/account	3	4	7
average SMS volume/account	2	9	3
#potential subscribers	2	5	9
subs prepared to pay	8	6	2

0 lowest : 10 highest

Three different scenarios are based on this evaluation.

5.1.1. scenario on primary accounts: artists

Objective:
audience relationship management

Need to communicate:
- news releases on upcoming gigs
- new recordings
- special invitations for preferred subscribers.

Today:
- email list management by Outlook
- if SMS: rare; handmade on the cell phone, expensive
- web: made by hand, e.g. FrontPage (mostly outdated).

ax^6 networks:
free push button publishing, chance of small outpayments.

Payback:
A strong fan base might be the most important asset of any artist; consistent communication with fan base opens a new marketing channel.

5.1.2. scenario on primary accounts: clubs

Objective:
guest relationship management

Need to communicate:
- news releases on upcoming events
- reminders
- special invitations for preferred subscribers

Today:
- email list management by Outlook
- SMS: rare; handmade on the cell phone, very tedious, very expensive.
- web: made by hand, e.g. FrontPage.
- web: made by hand, e.g. FrontPage or third party (mostly outdated).

ax^6 networks:
push button publishing for a small fee, chance of small outpayments.

Payback:
Clubs are a weekend business, and usually, the competition to get and keep regulars is very tough.
Strong communication with regular patrons helps making them come back; or, even better: come back at an earlier time, increasing the consumption.
The structured approach of ax^6 networks helps to
- increase the quota of returning patrons
- increase the consumption
- increase productivity
- reduce the promotional workload.

5.1.3. scenario on primary accounts: labels

Objective:
customer relationship management

Need to communicate:
- news releases on new albums
- upcoming gigs
- special offers for preferred subscribers

Today:
- mostly email list management by Outlook
- SMS: very rare; way too expensive.
- web: made by hand, e.g. FrontPage or third party (mostly outdated).

ax^6 networks:
push button publishing for a reasonable fee, chance of small outpayments.

Payback:
Big labels do not have a brand of any value to the end consumer (nobody buys BMG records, Whitney Houston is the brand). Small labels work differently, and sometimes are recognized as a niche brand, offering a consistent catalog of comparable artists.
Channeling and structuring the communication to its customer base will
- increase sales
- increase productivity
- reduce labor cost.

gertis.*media*   starrett-lehigh /the thing
                   601 W 26th st 4fl   telUS: +1.646.552.9507
                   new york, NY 10001   telEU: +49.(0)172.820.8231
                   info@gertismedia.com   fax: +1.212.699.4247
                   http://www.gertismedia.com

page **17**/17 - © 2001/2002 hubert gertis, gertis.*media*

5.2.   secondary accounts: subscribers

ax[6] networks is not in the primary business of marketing its services to the end user. Essentially, the participating primary accounts offer their opt-in email list and premium SMS services to their target groups.
ax[6] networks assists the primary accounts in developing their very own subscriber bases by offering content and process templates, which can be readily used.
Depending on the primary target group, different acquisition models will be applied;

5.2.1. scenario on secondary accounts: subscribers to artists

Acquisition models:
- direct approach of potential subs
- mouth to mouth
- mentioned published material, like flyers, web page …

Reasons to subscribe:
- personal relationship with artist
- access to special events (e.g. back stage, parties)
- emotional incentive of being first in the loop.

5.2.2. scenario on secondary accounts: subscribers to clubs

Acquisition models:
- direct approach of potential subs on location
- special promotions
- mouth to mouth
- mentioned published material, like flyers, web page …

Reasons to subscribe:
- material incentives like reduced entrance fee, discount on drinks.
- invites to to special events.
- emotional incentive of being first in the loop.

5.2.3. scenario on secondary accounts: subscribers to labels

Acquisition models:
- special promotions
- mentioned published material, like flyers, web page …

Reasons to subscribe:
- material incentives like rebates on records.
- invites to to special events, guest lists.
- emotional incentive of being first in the loop.

5.3.   usage model: primary target groups

For all primary target groups, the usage model stays the same. After opening an account with ax[6] networks, the user is guided through a structured set up process, enabling him to publish his information into the different channels (email, SMS, ax[6] networks directory, ax[6] networks calendar, his own web server).

After the set up, and probably a first dry run, the account holder will be assisted on how to generate subscribers for his account.

At the time he is ready to publish, he logs on to the system, edits his message, adds crucial data (e.g. event dates), presses the publish button – and the messages will be sent, and all information published on the web.

In his account, he will be able to see relevant statistics on his usage and his subscribers, as well as the current status of his account (e.g. pending outpayments).

5.4. usage model: secondary target groups

In the beginning, subscribers will be simple recipients of messages. Every message will give him the chance to opt out.

After having reached a critical number of accounts and subscribers, additional services can be added.

- location based services: based on your profile of services you have subscribed to, ax^6 networks can give you an overview over events on a particular date in a particular place. By sending a SMS to ax^6 networks, you'll receive a premium SMS containing upcoming relevant events in your location.

- user to user communication: a further step might involve chat or location based services on a user-to-user base.

5.5. Product/Service Life Cycle

ax^6 networks relies for its revenues mostly upon the SMS reverse billing functionality, offered by mobile phone operators. At this time, in Europe only Vodafone UK and BT Cellnet (UK) have enabled their networks to offer SMS reverse billing.

During 2002, the at least following operators will prepare their billing systems for SMS reverse billing:

Network Operator	Country	Launch Date
Airtel	Spain	Q4 2001
Movistar (Telefonica)	Spain	Q4 2001
Amena (Retevision)	Spain	Q4 2001
Proximus	Belgium	Q4 2001
Orange	UK	Q1 2002
D1	Germany	Q1 2002
D2	Germany	Q1 2002
ePlus	Germany	Q1 2002
viag	Germany	Q1 2002
Blu	Italy	Q1 2002
Omnitel	Italy	Q1 2002
TIM	Italy	Q1 2002
Wind	Italy	Q1 2002
Orange France	France	Q2 2002
Bouygues	France	Q2 2002
SFR	France	Q2 2002

source: WApMX

At this time, there are no pricing details for most operators regarding incurring fees, like access charges and keyword charges, nor are any outpayment tables available.

For the moment, our calculations are based upon the models of Vodafone UK. With Vodafone being the largest wireless operator in the world, with substantial assets in the European market (e.g. D2 Vodafone in Germany), there's a high probability that the fees and outpayments will not differ substantially from currently offered fee structure in the UK .

Furthermore, after having established the SMS reverse billing service, the outpayments handled by service aggregators like WapMX might increase to our benefit.

Advertising revenues might be the most volatile part in our revenue equation. Due to the attractiveness of the target group (mobile urban, young & restless, 16-35), there should be a fairly consistent quota of ad inventory being sold.

5.6.   Planned Products/Services

Partnerships and business relationships with service providers like voicemail alert providers, voice portal will enhance our core communications product in terms of service offerings and cash flow generated.
The upcoming 3G networks, due to launch in the next years, will offer not only increased bandwidth to the consumer, but do come with new handsets, too – which mostly will sport certain multimedia capabilities. This will be in the long run enable ax^6 networks and its primary accounts to offer new products and services to the subscribers.
i-mode in Europe, launched by DoCoMo's partners and subsidiaries like KPN in the Netherlands and ePlus in Germany might generate further possibilities to broaden the revenue stream, depending on the market penetration i-mode will be able to reach.

The needs of primary accounts in the label subset might be furthermore assisted by enhancing the CRM capabilities by linking ax^6 networks' system with real sales data.

The core software can be repackaged and customized for other markets.

6. Market Analysis

Mobile communication is still a growing market, with all the growing pains you can expect. With SMS, we have an established data communications technology, which allows private text based communications as well as text based message broadcasting and the transmission of data packets (ring tones, logo services etc).

Compared to other mobile data standards e.g. WAP (which technically would be almost as broadly available as SMS capable phones), SMS shows one major difference: it's widely used. Besides voice, SMS is not only the most widely used mobile application, and will stay there for the next foreseeable years. But even better: The target group ax[6] networks sees as its end consumers might already be called generation SMS. A UK survey showed for April 2001, that 97% of all mobile users between 15 and 24 years old did use SMS. In the age group 25-34, 83% did use SMS in that month.

penetration per mobile application in Europe

	2000	2001	2002	2003	2004
voice	100%	100%	100%	100%	100%
SMS	53%	56%	59%	62%	66%
email	0%	6%	12%	18%	25%
info services and surfing	5%	11%	17%	22%	29%
advertising	0%	0%	0%	2%	10%
transactions	0%	0%	8%	16%	23%
business data	0%	0%	4%	9%	13%
machine to machine	0%	4%	9%	13%	18%
multimedia	0%	0%	0%	0%	0%

source: JP Morgan

UK SMS text message usage [April 2001]

age	did use SMS	didn't use SMS
15-24	97%	3%
25-34	83%	17%
35-44	64%	36%
45-54	52%	48%
55-64	30%	70%
65+	11%	89%

source: BV group

With SMS reverse billing, the mobile operators are stepping forward into a new scenario. While email has always been a virtually free service, every sent SMS is payed for.

GoldMedia calculates for the year 2006 with 66 million mobile users in Germany, 32 million of those will use mobile broadcast services. By 2006, mobile advertising services will have grown to almost 500 million Euro, mobile pay services will grow to almost the same extent.

GoldMedia-Prognose:
Umsätze via Mobile Broadcasting in Mio. DM in Deutschland (2001 bis 2006)

Quelle: Eigene Hochrechnung GoldMedia 02/2001, (www.GoldMedia.de)
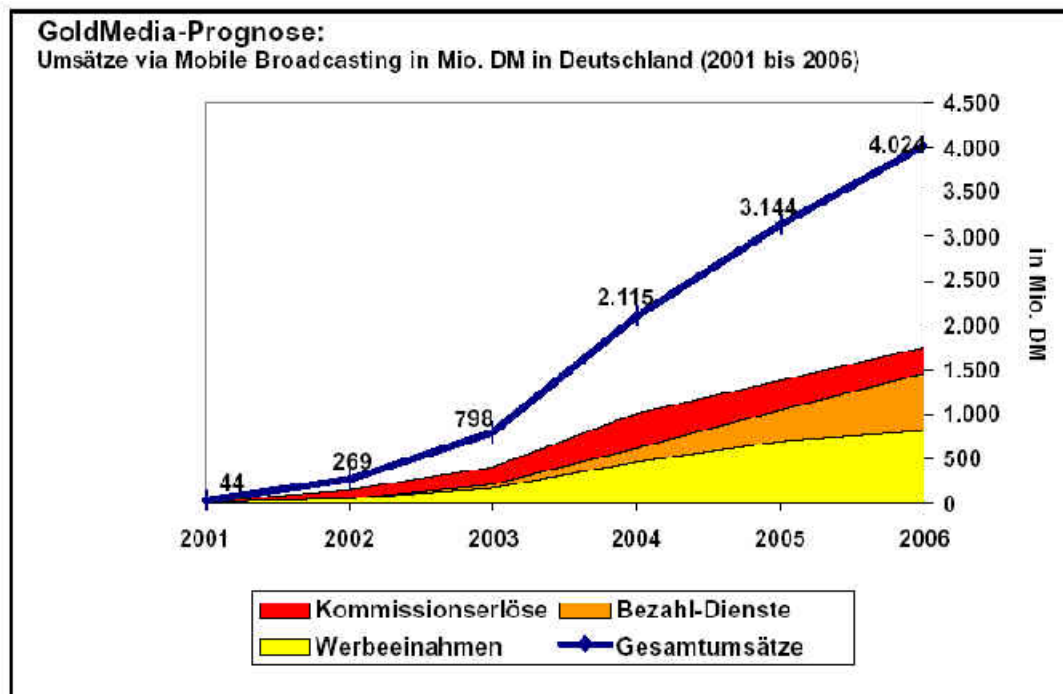
ax[6] networks envisions itself as a highly targeted player in this upcoming market. By offering an ASP service to artists, clubs, and labels, ax[6] networks leverages their usually strong emotional ties into their target groups, while enabling them to grow their own businesses.

6.1.   Customers

ax[6] networks differentiates between four kinds of customers: primary accounts, secondary accounts, corporate accounts, and advertisers.

Primary accounts are artists, clubs, and labels (other music industry related people and organizations, like booking agencies, are relevant, too – but mostly do not have the necessary direct contacts to the end consumer).

Secondary accounts are the end users, recipient of the messages published by the primary accounts, and directly connected to the specific primary accounts and their services they did subscribe to.

Corporate accounts are partners, who sell ax[6] networks' services under their own brand.

Advertisers are, well, companies buying ad space on ax[6] networks' services.

6.1.1. Primary Accounts - Artists, Clubs, Labels

ax^6 networks enables primary accounts to communicate directly with their target groups. At the same time, the primary accounts are the foremost important marketing partner for ax^6 networks and its goal to reach the end consumer.

artists
For keeping his audience up to date, an artists with some IT background might be able to either setup his own mailing list service, find out about simple bulk email services like Yahoo Groups or KBX8 – but will still mostly rely upon email list management by MS Outlook. And traditional bulk SMS services are completely out of his reach.

In terms of sheer numbers, artists are the largest primary target group of ax^6 networks. Vitaminic, a pan-european digital platform for the promotion and distribution of music over electronic networks, works already with about 86.000 artists in 10 countries. Artists will receive a fairly substantial outpayment of the revenues they generate. Nevertheless, the average sums generated will probably stay in the single digits range.

Marketing to artists:
Platforms like Vitaminic or MP3.com already reach into the target group, giving ax^6 networks the chance to reach out with traditional advertising; potential partnerships are being evaluated.
In some markets, public and private institutions are sponsoring programs to foster a vivid music scene. Examples for the German market would be the *Volkswagen Sound Foundation* or the rock commissioner of the states; potential partnerships are being evaluated.
Evangelists/sales reps will play a minor role in reaching out to artists.

Reasons to open an account:
A strong fan base might be the most important asset of any artist (having a label contract or not); consistent communication with fan base opens a new marketing channel.

clubs
Clubs and promoters are mostly digitally challenged. Printed flyers, distributed in clubs or record stores, and sent by mail, are their most important marketing channel (besides mouth to mouth recommendations). If email lists are used to communicate with patrons, we're mostly talking email list management by MS Outlook. SMS services are especially important for clubs, as SMS enable them to reach their target groups at the very moment they're on the way to spend their weekend. Reaching into the club and promoter market will be paramount for the financial success of ax^6 networks. The services offered are easily standardized, the number of relevant clubs is fairly low, but their potential of generating paying subscriber generally high. Party.de, a struggling German destination site for clubbers, works with round about 750 clubs.

Marketing to clubs:
Evangelists/sales reps will play a major role in reaching out to clubs. Potential partnerships might be developed in the youth marketing sector.
Acquiring an existing platform like party.de might be of interest.

Reasons to open an account:
Strong communication with regular patrons helps making them come back; or, even better: come back at an earlier time, increasing the consumption.

labels

gertis.*media*   starrett-lehigh /the thing
                        601 W 26th st 4fl   telUS: +1.646.552.9507
                        new york, NY 10001   telEU: +49.(0)172.820.8231
                        info@gertismedia.com   fax: +1.212.699.4247
                        http://www.gertismedia.com

Smaller independent labels are a very complex target group, from basement run businesses up to multimillion-dollar concerns. Independent labels have a worldwide market share of 15 percent of the whole market. Their German association VUT (Verband unabhängiger Tonträgerunternehmen) has about 550 members, Vitaminic works in its 10 active markets with 1.400 labels.

Due to the heterogeneousness of the target group, the interest in CRM and end consumer marketing is as diverse as the tools that are used. Some independents like Mute or DiskoB already offer subscriptions to email newsletters on their web site. Most do not. And if – do not expect any CRM backends or the use of wireless communications for their marketing.

In the long run, labels will play a very important role for ax^6 networks, as upcoming mobile capabilities, like MMS, offer labels new ways to reach out to their customers.

Marketing to labels:
Evangelists/sales reps will play a major role in reaching out to labels. Potential partnerships with associations like VUT or its UK counterpart AIM are being evaluated.

Reasons to open an account:
Big labels do not have a brand of any value to the end consumer (nobody buys BMG records, Whitney Houston is the brand). Small labels work differently, and sometimes are recognized as a niche brand, offering a consistent catalog of comparable artists. Strengthening those brands will be paramount for smaller players.

6.1.2. Secondary Accounts – End Users

The enduser is part of the urban mobile target group, the young & restless, between 16-35. principal buying motives. You might call them generation SMS: A UK survey showed for April 2001, that 97% of all mobile users between 15 and 24 years old did use SMS. In the age group 25-34, 83% did use SMS in that month.

Marketing to end users:
For now, ax^6 networks will not directly market its service to the end consumer. Driving vehicle is the need to communicate for the primary target groups, the artists, clubs, and labels – which will market the their services via ax^6 networks to the end consumer.

Reasons to open subscribe:
Depending on the type of primary account, the reasons to subscribe might differ. The relationship of the end user to the subjective primary account determines the value he sees in the service. By dealing with artists, most prominent will always be the emotional value, of being part of the in-group, of feeling closer to an artists and supporting him. Material incentives are more important regarding clubs and labels.

6.1.3. Corporate Accounts

Corporate accounts are partners, which are delivering the services of ax^6 networks under their own brand name. Especially for artists, being a harder to reach target group, partnerships with providers like Vitaminic or MP3.com will enable ax^6 networks to generate some cash flow much quicker.

gertis.*media*   starrett-lehigh /the thing
          601 W 26th st 4fl   telUS: +1.646.552.9507
          new york, NY 10001   telEU: +49.(0)172.820.8231
          info@gertismedia.com   fax: +1.212.699.4247
          http://www.gertismedia.com

                  page **24**/24 - © 2001/2002 hubert gertis, gertis.*media*

6.1.4. Advertisers

The target group (secondary accounts) reached by ax^6 networks is highly attractive for many advertisers. Being able to reach directly into a hip, young, and urban crowd should enable ax^6 networks to reach fairly high CPMs (even compared to typical destination sites with a comparable target grouup).

Potential key advertisers will be directly marketed to; media sales partners with adequate inventory will be evaluated.

6.2.   Competition

Currently, we're not aware of any direct competitors bundling bulk email and reverse charge SMS services for any specific target market.

Indirect competitors, who either provide partly comparable services, or target the same markets, are of course manifold (and sometimes potential partners, too).
Technically speaking, ax^6 networks combines several ASP services: Content Management, bulk email, bulk SMS (with reverse billing), some simple CRM features (like statistics) as a B2B2C package.
Most vendors in those traditionally separated areas tend to cater to larger businesses.

In terms of the technical services offered, two main groups of competitors can be identified: Internet based mailing list services and bulk SMS provider.

6.2.1. Bulk Email Service Provider

Yahoo! Groups
The former e-groups, offers an ad based email list service for free. "What is a Group? One email address & website that allows you to... Share photos & files, plan events, send a newsletter - Stay in touch with friends and family - Discuss sports, health, current events, and more".

ISPs
ISP would be a natural fit – but most ISP fear to be blacklisted as spam providers. So not too many ISPs or web hosting companies do offer mailing list services to their clients. One notable exception is speedlink in Berlin and its subsidiary KBX8 GmbH. The Lyris-based list server offers two service tiers: The ad supported lists are for free, the professional version comes with a very reasonable price tag attached: 17.50 Euro/month, plus 41 Euro for the set up.

Topica.com
"Topica Inc. (www.topica.com) provides turnkey solutions for publishers of email newsletters. Topica Email Publisher delivers an integrated publishing, ad serving, and delivery solution to corporate customers. Topica Exchange serves over 70,000 individual publishers through a free email newsletter publishing service, which reaches over 12 million subscribers and delivers targeted opt-in content and marketing messages from such leading advertisers as Xerox, Ameritrade, Dell & USA Today. Privately held, Topica is based in San Francisco, California. Investors include August Capital, Highland Capital Partners, Morgan Stanley Dean Witter Private Equity, TLcom Capital Partners, Moore Capital Management and Stanford University."
Prices start at $14.95 for up to 4.000 mails/month sent.
Jupiter Media Metrix counted 8,632,000 for the month of November 2001.

postmastergeneral.com
"The PMG service is a web-based email list management and delivery service designed for high performance and reliability. List owners have 24-hour access and control of their database and message delivery. The PMG system is based on our proprietary software and patent-pending "list hosting" architecture.
Offering three services (Enterprise, Pro, Standard) with varying message capacity and recipient levels, the PMG service provides a scalable solution to manage individual list databases with over 10 million recipients."
Plans strt with $19/month for up to 300 recipients.
Jupiter Media Metrix counted 15,898,000 for the month of November 2001.

6.2.2. Bulk SMS Service Provider

Y! Handy
Yahoo.de offers SMS Groups. No reverse billing (yet), but internal credits have to be bought by the subscribers to the channel. Strangely, Yahoo.co.uk (where reverse billing is already a fact) does not offer a comparable service).

iobox
Owned by Telefonica subsidiary Terra Mobile, headquartered in London, with offices in Finland, Germany, Spain and Sweden. "The sole mission of iobox is to provide our customers and partners with the best wireless data applications available on the market worldwide." Part of the consumer package is the SMS broadcaster. Payments are exchanged internally via "credits".

ucp ag
Runs uboot.com, a popular c2c messaging communities. Investors include max.mobil, Austria's first private GSM mobile communications network, owned by Deutsche Telekom
Offers several b2b services; most notable: WebSMS (websms.com) offers prepaid bulk SMS, with templates for opt-in/opt-out. Setup is 75 Euro, 500 SMS are offered for 40 Euro (0.08 cent per SMS), 100,000 SMS are 3,500 Euro (0.035 cent per SMS).

Brodos
Typical b2b bulk SMS provider, based in Germany (you'll find lots of comparable companies in any GSM market). One of its tiers, the brodos SMS package, would more or less cover the needs for the outbound SMS traffic of a not too small club. The pricing: 99 Euro setup, 9.90 Euro fee per month. Package 1: up to 800 SMS is 115 Euro, for up to 2,500 SMS Brodos charges 299 Euro. Unfortunately, this covers just the outbound traffic. The data collection, building and maintaining of the lists is still to be done manually by the club.

In terms of companies serving the primary account target markets, many different companies show up on the radar screen.

6.2.3. Competitors Serving Artists

Vitaminic
Vitaminic is the leading European digital platform for the promotion and distribution of music over electronic networks, using the latest broadband and wireless communications technologies. Vitaminic operates in ten countries with local teams and web sites: nine in Europe - Italy, the United Kingdom, Germany, France, Spain, the Netherlands, Sweden, Denmark, Denmark and Ireland - and one in the United States. All the local sites of the Vitaminic Network reflect the individual markets in which they operate, customizing content to satisfy local audiences.

gertis.*media*   starrett-lehigh /the thing
                      601 W 26th st 4fl   telUS: +1.646.552.9507
                      new york, NY 10001   telEU: +49.(0)172.820.8231
                      info@gertismedia.com   fax: +1.212.699.4247
                      http://www.gertismedia.com

page **26**/26 - © 2001/2002 hubert gertis, gertis.*media*

Vitaminic works with over 1,400 labels, including the majors BMG, Emi, Sony, Universal and Warner. The company manages a music catalogue of more than 374,000 digital tracks, from about 86,000 artists (as of 30th November 2001), organized into over 250 music genres. Vitaminic offers record companies and artists immediate earnings of 50% on the sale price of each title, with no start up costs or exclusive binding contracts.
For artists, there's a rather weakish looking email list feature available.

MP3.com
Headquartered in the US, subsidiaries in France, Germany, Spain, the UK and Japan, MP3.com (now part of Vivendi) is the granddaddy of all mp3 based artist sites. Most international sites are still very much in the toddler state. Artists signing up for de.mp3.com have to switch to into English almost immediately.
The closest to an artist to fan communication service would be the Notify Me-option: "Sign up now to get free artist updates and other notifications delivered directly to your email inbox!
- Get up-to-date information about new CD and song releases
- Find out about the hottest shows in your town
- Find out when songs are activated in your My.MP3 account"
Some premium services for artists are offered, but no communications services.

6.2.4. Competitors Serving Clubs

The business models of most companies in this sector are based upon the destination site concept. Due to the very particular conditions of the club environment, this approach is to be seen as very problematic.
- clubs cater to very different target groups. The better the reputation, the less obvious their marketing efforts. Putting a very hip urban techno club onto the same destination as a suburban hangout or a provincial weekend party hole would be seen as a dilution of the brand equity of the urban club.
- for being successful, the destination site has to spend continiously quite some monies on end consumer marketing

Party.de
22.300 registered members, about 3.000 events are published by 750 clubs and venues every month, generating 650.000 visits and 3.000.000 page views.
Party.de offers clubs a bulk SMS service (0.08 Euro per message sent). A separate SMS pull service, "

Techno.de
Techno.de offers an email reminder service for the calendar on its web site. Participating clubs can enter their own information – but there seems no way to integrate the functionalities in the home pages of the clubs.
A typical mail would look like this one:

subject: Techno Partydate Reminder

Techno Online / Party / e-Mail Reminder

This is an automatic e-mail reminder for the following Techno Event:

21.12.2001
Ultraschall / Flokati
Grafinger Str. 6
München
    Can't Slow Down
    DJs: Tobi Neumann, Herbie

A service of Techno Online (www.techno.de)

- -
If there are any problems or questions
please mail us: party@techno.de
- -

Clubplanet.com
Based in New York, Clubplanet describes itself as "the leading online nightlife site since 1995".
Over 5.000.000 page views per month, more than 200.000 registered members; the average user
spends over 13 minutes on Clubplanet.com. Wireless services are handled by UPOC.com.
Clubplanet tries to cover most major cities in the US, plus London, UK – but new York is definitely
its home turf. It's just highly unlikely, that the whole of greater Los Angeles has just two new
year's eve parties to offer – compared to NYC and its 60 entries.

Besides being a destination site, Clubplanet offers b2b services for clubs. "Your venue can now
become part of our network. Through personalized websites our Extranet, provides venues with
the necessary tools to manage Internet presence; increasing revenue and simplifying
management duties.
Starting at $49.95 per month, The Extranet enables venues to:
- Create and Control Their Own Website 24 hours a day
- Manage a online mailing list
- Sell Tickets On-line
- Generate Advertising Revenue
- Promote Events and Weekly Parties
- Provide Virtual Tours
- Sell merchandise with No investment
- Utilize our Management Solutions
- New Venues Added to the Extranet will be highlighted on our site"
The offer is essentially a simple content management system, which includes templates for a
guestlist page, an event calendar page, a registration page (which "allows customers to sign up to
get more information about a bar or nightclub. It creates a 'e-mail mailing list' that venues can use
to contact customers").
The pricing seems rather obscure: $49.95 a month for a two-year commitment, $100 a month for
a one-year commitment, $150 a month for a monthly commitment.
About 20 odd clubs did subscribe. Maybe arguments like "Clubplanet can host the existing site for
the venue. At only $50 per month, this is often much cheaper than other hosts" aren't that
convincing.
Another problem is caused by the destination site approach. The FAQ: "How do I know what the
people coming from Clubplanet will look like? Will they fit the image I want for my venue?

gertis.*media*   starrett-lehigh /the thing
               601 W 26th st 4fl   telUS: +1.646.552.9507
               new york, NY 10001   telEU: +49.(0)172.820.8231
               info@gertismedia.com   fax: +1.212.699.4247
               http://www.gertismedia.com

page **28**/28 - © 2001/2002 hubert gertis, gertis.*media*

Clubplanet is geared to attract a comprehensive group of nightlife goers. We have relationships with the most exclusive clubs as well as more low-key establishments and find that our audience matches our venues. Ultimately, you always will have the right to admit anyone to your venue."
That's right. And that's why the users of the guest list feature are warned, that "Being on the guest list does not guarantee admission. The venue door staff always has final say. So check the dress code, bring some females and don't come crying to us if you get turned away for showing up wearing sweat pants and those old Keds."
Clubbing is mostly a very elitist either you're part of the crowd. Or you're not. Guest lists compiled by a destination site, which covers "the most exclusive clubs as well as more low-key establishments", cannot work as intended.
Still, a message board with 200.000 post in the NYC section alone means: the users they got are pretty active.

Other destination sites:
clubbed.com (based in the UK): "Our listings are the best on the internet, we cover the entire planet. If you do see something wrong or incorrect please let us know." Well, alphabetic listings aren't that helpful. And the only explanation for subsets to specific countries like "United Kingdom: Perthshire Renfrewshire Cumbria" or "United States: Arizona New Jersey Florida" might be that the whole venture is headquartered in Poole, Dorset.

world clubs.net (based in Australia): tried to establish a premium web service for clubs. They dropped all fees in May 2001. The tiers looked like this:
basic pack: $30 setup, $10 /month fee for listing with worldclubs.net.
advanced pack: hosting at http://subdomain.worldclubs.net $100 setup, $30 /month
premium pack: own domain name; $120 setup + registration interNIC, $30 /month
professional pack: own domain name, email address, 30 MB disk space, 5 RealAudio/RealVideo streams $120 setup + registration interNIC, $50 /month
The Yellow Pages concept has been a money generator in print. But who's the user group of world clubs.net?

Time Out NY, Time Out London: the web sites of the pretty successful Time Out mags. But let's be reasonable. That's a completely different business model, and launching a consumer print magazine is not just expensive. It's really expensive.

6.2.5. competitors serving labels

Vitaminic and mp3.com are both offering services for labels, too.

6.2.6. other competitors

Ticketmaster
At SalomonSmithBarney's annual Global Entertainment, Media & Telecommunications Conference, John Pleasants, President & CEO of Ticketmaster, presented the CRM solution Ticketmaster is currently developing.
Ticketmaster targets a slightly different target group than ax[6] networks: Event organizers rely upon the sales (and presales) of tickets; clubs, even if they charge an entrance fee, almost never do any pre sales (except the free entrance via the guest list), nor do labels and artists.

gertis.*media*   starrett-lehigh /the thing
                        601 W 26th st 4fl   telUS: +1.646.552.9507
                        new york, NY 10001   telEU: +49.(0)172.820.8231
                        info@gertismedia.com   fax: +1.212.699.4247
                        http://www.gertismedia.com

page **29**/29 - © 2001/2002 hubert gertis, gertis.*media*

6.3. *Risk*

ax[6] networks considers itself as a medium risk venture.

Risk table and explanation:

element of risk	degree of risk, from 1 (low) to high (10)				
	low	medium	high	weight	total
industry		4		0.25	1
maturity		5		0.05	0.25
competitive position	3			0.25	0.75
strategy	1			0.05	0.05
assumptions			9	0.20	1.8
management	2			0.10	0.2
Past Performance			8	0.10	0.8
overall risk				1.00	4.85

6.3.1. Industry

Premium mobile publishing services are an untested part of the mobile industry. But if the market develops as most industry analysts predict, mobile broadcasting (as a premium service as well as an ad supported service) should do pretty well (if not, you might buy Vodafone, Deutsche Telekom and DoCoMo and any other European telco having heavily invested into 3G and data services for a Dollar a piece).
Accordingly, we consider the risk as medium to low.

6.3.2. Maturity

ax[6] networks starts as a first mover, with all its advantages and disadvantages. In the mature stages, there are likely to be competing models and competing companies catering to the same market.
Accordingly, we consider the risk as medium.

6.3.3. Competitive Position

Right now, the market is wide open. No competitor is offering a comparable service bundle. Very few competitors are offering somewhat comparable services as modules, which would have to be integrated by the client.
Accordingly, we consider the risk as fairly low.

6.3.4. Strategy

The service, the pricing model, the distribution, and promotion strategies are straightforward.
Accordingly, we consider the risk as low.

6.3.5. Assumptions

Service acceptance should be good; the sales estimates are to be considered conservative. But sales forecasts for new services are always difficult to predict.
Accordingly, we consider the risk as high.

6.3.6. Management

Careful planning and clear objectives should not present much risk.
Accordingly, we consider the risk as low.

6.3.7. Past Performance

Being a startup, there's no past performance available for ax[6] networks, just for its management
and the positions they held before starting the company.
Accordingly, we consider the risk as fairly high.

gertis.*media* starrett-lehigh /the thing
601 W 26th st 4fl   telUS: +1.646.552.9507
new york, NY 10001   telEU: +49.(0)172.820.8231
info@gertismedia.com   fax: +1.212.699.4247
http://www.gertismedia.com

page **31**/31 - © 2001/2002 hubert gertis, gertis.*media*

7. Marketing Strategy

First step is establishing ax^6 networks as a B2B2C service to the primary target groups (artists, clubs, labels).

Mid to long term objective is establishing ax^6 networks as consumer brand, offering access to music and nightlife oriented entertainment services to its subscribers. To reach this goal, ax^6 networks will penetrate is brand successively as a service brand to the end consumer (which actually subscribe to a service offered by ax^6 networks for the primary accounts).

7.1.   Reaching artists

In terms of absolute numbers, artists are the largest primary target group of ax^6 networks. Vitaminic, the MP3-based web service for musicians, caters to more than 80,000 artists in 10 European countries.

Artists may sound like a pretty well defined target group. But in reality, the only thing most performing artists do have in common is the fact that they're artists. At the same time, the generated revenue pre account is not too substantial, which severely limits the capital, which should be invested into customer acquisition.

The following examples are for the German market.

7.1.1. advertising

There are several print publishers and Internet based magazines, which cater to different subsets of the artists target group. Nevertheless, the budgetary restrictions mentioned above will set some limits here.

print
Magazine like Keys, a German print monthly on "Music & Computer" (the bible for the home recording artists) reach artists of more than one genre.

web
Service providers like Vitaminic, MP3.com and MP3.de cater in their b2b (business to band) sections directly to the target group.

7.1.2. partnerships

service provider
ax^6 networks is evaluating strategic partnerships with service providers like Vitaminic or MP3.com, who cater to this specific target group.

publisher
Magazines like Keys, a German print monthly on "Music & Computer", are the bible for the home recording artists. Usually, partnerships with smaller publishers go hand in hand with ad buys. An affiliation model should present a viable way of starting a business relationship.

private institutions

Volkswagen Sound Foundation offers services for upcoming artists, from lending a VW microbus as a tour bus to consulting services. Since 1997, worked closely with 700 bands, and offered their consulting services to more than 2,500 bands.

The *John Lennon Talent Award*, run by a fairly small northern German insurance company, Itzehoer Versicherung, offers a competition for newcomers and coaching in "Workshops und Masterclasses".

public institutions
Every German state sports a "*Rockbeauftrager*", a rock commissioner. Bavaria supports the ABMI, an umbrella organization of 46 local associations with 4,500 members, Rockstiftung Baden-Württemberg offers seminars and even runs a small project label.
Probably the most successful rock commissioner so far has been Dieter Gorny, now head of the major label owned German music tv station Viva. His legacy, the music fair Popkomm in Cologne, is now the largest fair of its kind world wide (and run by a privatized company).

7.1.3. evangelists

ax^6 networks will aggressively look for evangelists/sales reps, which are able to promote the services of ax^6 networks to bands and artists. Every evangelist gets a share of the revenue from the artists he signed up to ax^6 networks.
Due to the fairly minimal ancillary income generated per artist account, the rep structure will focus on clubs and labels. A potential recruiting ground for evangelists covering the artists target group are independent web contractors (or amateur web publishers), who do site designs for artists.
As the backend structure for the evangelists/sales reps-system will most likely resemble a standard affiliation system, end users can be approached to spread the system in a semi-viral way (semi-viral, as the end users will not generate new end users, but recruit new content providers).

7.2.   reaching clubs

According to „Baacke, Sander, Vollbrecht - Medienwelten Jugendlicher. Bd.1: Lebenswelten sind Medienwelten", Opladen (1990), 47% of all adolescents (starting age 16) visit every weekend a club or discotheque.
It seems pretty hard to get a valid number on existing clubs in Germany. Nevertheless, the services offered by ax^6 networks are mostly relevant to clubs in urban areas, which catering not primarily to the elitist hip spot of the month crowd (as those clubs tend to shun from any marketing at all, as this would be perceived a decidedly unhip thing to do). party.de, a small provider of club and event listings, works with 750 clubs in Germany, which might be a good measure to start with.
A special subset, and maybe even more relevant than the clubs itself, are party promoters. Promoters work with certain clubs, which offer the gastronomic backend for their events. Promoters book artists and promote the events, and get mostly paid by collecting the entrance fee.

7.2.1. advertising

We are currently not aware of any relevant media ventures catering exclusively to clubs and promoters.

7.2.2. partnerships

Youth marketing

Youth marketing is a fairly well established business. And it's not just about POS consumer goods like beverages, liquor, or tobacco. Agencies like Haeberlein & Mauerer (Levi's, Adidas, Lycos Europe, Smart), or Avantgarde (12snap, Audi, Swatch) try to take big (or not yet big) brands by the hand, and introduce them to a young and mobile clientele.

7.2.3. evangelists

ax^6 networks will aggressively look for evangelists/sales reps, which are able to promote the services of ax^6 networks to clubs and promoters. Every evangelist gets a share of the revenue from the clubs he signed up to ax^6 networks.

A potential recruiting ground for evangelists covering clubs are insiders like DJs (who are actually part of the artists target group, too) and booking agents, who already have their own networks up and running.

As the backend structure for the evangelists/sales reps-system will most likely resemble a standard affiliation system, end users can be approached to spread the system in a semi-viral way (semi-viral, as the end users will not generate new end users, but recruit new content providers).

Depending on message frequencies and the actual subscriber bases of the clubs, the potential outpayment per club/month should be around Euro 20/month.

7.3. reaching labels

In terms of Internet acronyms, many labels are still fighting the (presumably) lost DRM battle (which either stays for Digital Rights Management or Does it Really Matter). With file sharing and CD burning at an all time high, and a product, which is fairly easily pirated and digitally distributed, copy protection schemes are always one or two steps behind the realities of the market place (not to forget the already distributed products from the back catalog, which can't be protected – but are an important asset).

Forward thinking labels already see their future not in sueing their customers, but in fostering strong relationships with them. Unfortunately, their direct contact to their clientele is sparse. The typical value chain of the record business places intermediaries like distributors and record stores between them and their customers.

In difference to the major labels, which hold almost 85 percent of the worldwide music market, some independent labels sometimes are already recognized as a niche brand, offering a consistent catalog of comparable artists. Strengthening those brands will be paramount for them.

As a target group, independent labels are pretty diverse, from basement run operations up to multimillion dollar concerns. Their German association VUT (Verband unabhängiger Tonträgerunternehmen) has about 550 members, Vitaminic works in its 10 active markets with 1.400 labels.

7.3.1. advertising

In every market, there are several trade magazines covering the music industry (all of them running their own sites, too). None of the objects targets solely or primarily the independent music industry.

7.3.2. partnerships

associations

Associations like VUT (Verband unabhängiger Tonträgerunternehmen) with its more than 550 members, AIM (the UK counterpart) or FONO (Norway) are potential partners for ax^6 networks, as one of their objectives is supporting their members in their business. ax^6 networks' founders already have relationships with the heads of some associations.

7.3.3. evangelists

ax^6 networks will aggressively look for evangelists/sales reps, which are able to promote the services of ax^6 networks to labels. Every evangelist gets a share of the revenue from the labels he signed up to ax^6 networks.

As the backend structure for the evangelists/sales reps-system will most likely resemble a standard affiliation system, end users can be approached to spread the system in a semi-viral way (semi-viral, as the end users will not generate new end users, but recruit new content providers).

Key accounts, like larger independent labels, or multiplicators (some label owners are very vocal members of this community) will be handled directly.

7.3.4. fairs

Popkomm in Cologne is the largest pop music related fair and conference worldwide, Midem in Cannes probably the most important market place for music deals. The founders of ax^6 networks already have close relationships with the organizers of those events (having moderated panels or having held speeches).

A booth at Popkomm starts at 900 Euro. In 2001, 16,922 trade visitors from a total of 57 countries had visited the fair, with a part of 64% German and 36% international trade visitors. A total of 838 exhibitors from 33 countries took part at Popkomm.2001, with a part of 46% German and 54% international exhibitors.

A booth at Midem starts at 5,000 Euros (Reed Midem, the organizer, has always been on the expensive side, while Popkomm grew out of a public private partnership). Midem 2001 had about 10,640 participants from a total of 94 countries, with 385 stands rented out.

7.4.   tools

The evangelists/sales reps as well as the in house business developers will need some tools to promote ax^6 networks to the primary accounts.

7.4.1. the web

The web will be the primary tool to display the capabilities of the system. For each target group, ax^6 networks will offer a customized minisite, where the prospects will
- get an overview over the system and its impact on their business
- be able to test drive ax^6 networks and its features
- be able to sign up on the spot
For evangelists/sales reps, the sign up feature will be integrated into an affiliation system.

7.4.2. printed material

For each target group, ax^6 networks will offer a product sheet, explaining the ease of use of ax^6 networks and the potential impact on the business of the prospects. The material leads to the aforementioned minisites. Evangelists/sales reps should have a customized version, which leads to their affiliate page.

7.5.   Pricing & Profitability

The pricing structure is highly competitive, as an unbundling of ax^6 networks' different ways to communicate would lead to higher prices.
For the different levels of usage, and the different target groups, the pricing is different.

7.5.1. band.edition

Bands will get the service for free, can even expect some small outpayments from the premium SMS they generate (in the single digit Euro range).

7.5.2. club.edition

Clubs pay a modest fee of 25.99 Euros, but can expect some outpayments, too (depending on the amount of premium SMS they generate).
Depending on further market research, it might become relevant to add a standard SMS tier to the club.edition. ax^6 networks will either charge accounts for this services on a per message base, or offer a prepaid solution.

7.5.3. label.edition

Labels will pay a fee of 59.99 Euros. There will be no outpayment for the standard SMS features, but subsequent additions to the portfolio, like ring tones, voice mails et al will generate some revenues for labels on ax^6 networks.
Additional fees will be charged for future services like integrating ax^6 networks' CRM/marketing platform into existing ERP solutions.

7.6.   Pricing Structure

There are several key factors influencing the pricing for each target group:
- financial clout of target group
- costs

Competitors in the bulk email sector usually either have only advertising supported plans, or multi-tiered plans based on message volume and size of subscriber base.
By relying upon reverse charge models in our SMS section and combining this with advertising support in email and SMS, ax^6 networks will be able to offer a very simple and easy to understand pricing structure.

The pricing structure is still subject to change depending on the market test with beta clients in the first months of service.

7.7.   Commissions

ax^6 networks offers two tiers of commissions:
- evangelists/sales reps get a lifetime commissions of three percent of revenues generated by the accounts they signed up (for the features they signed them up).
- content providers get a commissions based upon the plan they joined: e.g. bands will get a 50 percent outpayments from the premium SMS outpayments they generate, clubs a 7.5 percent outpayment, label in their basic plan essentially no outpayments at all (due to the premium SMS pricing structures involved),

7.8. *Costs*

The main factor in costs is personnel.
In terms of the different aspects of the service, email scales fairly well, with server management and data transmission cost as the main drivers.
SMS:
- if premium SMS, main cost factor is the setup of the system (as every message generates a fixed outpayment)
- if standard SMS, the cost per messages falls with the amounts of messages sent.

7.9. *Selling Tactics*

Our strategic marketing approach takes full advantage of the tremendous momentum inherent in the fact that these people or institutions are either already involved with parallel products and services, or do have an invaluable insight into the markets targeted by ax[6] networks.
By operating within these distribution channels in this manner we feel that we can maintain control of our market. In addition, we can generate growth at a reasonable pace and obtain excellent sales results.

7.9.1. Executive Selling

MD International:
In the first phase of starting the company
- beta accounts for product development
- initial accounts

Responsibilities later on:
- international key accounts, e.g. larger international independent labels
- strategic accounts, e.g. corporate accounts
- high profile accounts, e.g. international celebrity artists, hip clubs
- international high profile advertisers, e.g. multinational agreements, international media buyers

MD National:
- national key accounts, e.g. larger national independent labels, important clubs
- strategic accounts, e.g. multiplicators
- high profile accounts, e.g. national celebrity artists, hip clubs
- national high profile advertisers, e.g. important brand deals, national media buyers

7.9.2. Direct Sales

The majority of sales will be through direct sales, mostly through the affiliated Evangelists/Sales Representatives.

Business Developer:
National business development will share the direct selling responsibilities with those of the National MDs.
In addition, the national business developers are responsible for
- building up the affiliates system of Evangelists/Sales Representatives
- developing partnerships with media sales agencies
- do direct sales to advertisers

gertis.*media*   starrett-lehigh /the thing
601 W 26th st 4fl   telUS: +1.646.552.9507
new york, NY 10001   telEU: +49.(0)172.820.8231
info@gertismedia.com   fax: +1.212.699.4247
http://www.gertismedia.com

page **37**/37 - © 2001/2002 hubert gertis, gertis.*media*

Evangelists/Sales Representatives:
The essential rainmakers. Acting as affiliates, they will sign up artists, clubs or labels either locally or based upon their reach into special subsets of the market. Evangelists/Sales Representatives will earn a percentage of the revenues their signed up accounts do generate.
End Users can apply to become affiliates, and start signing up bands, clubs or labels, too.
Especially for reaching club promoters, Evangelists/Sales Representatives will be crucial.

7.9.3. Web Sign Up

Interested parties will be able to directly sign up on the web site.

7.9.4. Joint Marketing Relationships

A joint service, offered, for instance, in relationship with associations or foundations, which work with the same target groups. Possible outpayment for partner based on affiliation model.

7.9.5. Manufacturers' Representatives

For the club targets, it might be interesting to build up relationships with beverage distributors. In Germany, GEVA acts not just as an umbrella organization for beverage distributors, but offers other services, too, e.g. IT services.

7.9.6. OEM/Corporate Accounts

Corporate accounts can offer ax^6 networks' services under their own brand. An example would be a music provider like Vitaminic offering ax^6 networks' services to their artists under their own brand.

7.10.   Public Relations

Public relations are not a cheap replacement for advertising. But strategic PR can definitely enhance the reach into some target groups – and is sometimes a two way street.

7.10.1.   External Target Groups and Objectives

Primary Accounts
Objective:
Increasing awareness, name recognition and business proposition among buyers.
Media:
Home recording magazines, music industry trade press.
Target:
Editorial staff.
Other:
Trade shows like Midem and Popkomm, for reaching artists and labels.

Advertisers/Media Buyers
Objective:
Increasing awareness and name recognition among buyers.
Positioning of ax^6 networks at the leading edge in reaching into a young, urban and mobile user group.
Media:
Marketing and advertising trade journals.

Target group:
Editorial staff.
Other:
Trade shows on advertising and direct marketing, like DIMA.

Potential Evangelists/Sales Reps
Objective:
Increasing awareness, name recognition and business proposition.
Recruitment for ax^6 networks as Evangelists/Sales Reps.
Media:
Computer trade journals, … (tbd).
Target group:
Editorial staff.
Other:
Computer oriented trade shows, but only if being part of partner booth.

Business Partners
Objective:
Increasing awareness and name recognition among potential partners.
Positioning of ax^6 networks as leading edge provider of mobile and cross platform communication services.
Media:
Business press.
Target group:
Editorial staff.
Other:
Trade shows.
clients
Objective:
Feeling the pulse of the client, getting early responses on new services, learn about upcoming needs.
Positioning of ax^6 networks as leading edge provider of mobile and cross platform communication services.
Media:
Extranet, email newsletters and discussion groups.
Target group:
Users.
Other:
Events and meetings at trade shows, visits at venues or events.

7.10.2. Internal Target Groups and Objectives

Employees
Objective:
Transparent internal information flow.
Media:
Intranet; email newsletters and discussion groups.
Target group:
Employees.

Evangelists/Sales Reps
Objective:
Transparent information flow.
Media:
Subset of intranet; email newsletters and discussion groups.
Target group:
Evangelists/Sales Reps

7.10.3. Company Backgrounder

A complete company backgrounder on ax^6 networks, to be used as the
primary public relations tool for all target media editorial contact. This is also effective for inclusion
in press kits, dealer kits and sales packages. The backgrounder would include sections on the
following broad subjects:
- Overview of the market, its size and characteristics.
- The Company and
- its history
- its philosophy
- its top executives
- The services offered

7.10.4. Press Releases

Template based press releases (headline, lead, body, company background) to trade press, as
well as email (internal/external) on
- major sales announcements
- product releases
- technical developments
- participation in major events
- awards
- …

7.10.5. Photo Material

Downloadable pictures on the website, glossy prints upon request.
- portraits of key executives
- logo b/w and color
- pictures on events (e.g. featuring key customers)

7.10.6. Trade Shows and Conferences

Popkomm and Midem will be the major trade shows for some parts of our target group (artists,
labels). Participating at events on advertising and direct marketing will boost our brand
recognition at the advertiser's target group.

7.10.7. Internal/External Newsletter

An online newsletter to serve as an informational piece for internal personnel, the sales force, and
key customers.

8. Technology

Information Week hasn't been joking: the most important process for deciding upon a software or IT service provider is the due diligence. After the dot-com fall out, too many providers of crucial aspects of the IT strategy of too many companies either changed important parts of their service offerings, or went bankrupt.
At the same time, due to its target markets, ax^6 networks will have to come up with cost sensitive solutions for its technology.

8.1.   Make vs Buy - Software

ax^6 networks will act as an ASP to its primary accounts and corporate accounts. The core of ax^6 networks offerings is its easy to use multi platform publishing solution. Building up the whole solution from scratch might be a nice challenge for some developers, but definitely way too expensive.
Luckily, for most components needed, there either are highly developed commercial software packages available, as well as open source software modules, which already offer key functionalities.

Where possible or adequate, ax^6 networks prefers to use open source software, to
- significantly lower the risk of relying upon the business performance of software partners
- have direct access to the source code of the chosen software package, and thereby securing the further development of the services offered.
Industrial strength open source modules are available for core components like
- Operating System
- Web Server
- Application Server
- Data Base
- Content Management System (CMS)
- Bulk Email
- Intranet
- CRM (tbd)

ax^6 networks is currently evaluating vendors and open source packages.
ax^6 networks will maintain a lean company. Most tasks of the final development will be outsourced. In case of open source software, potential development partners are the core developers of the software. As an example, the EZ, a Norwegian software house, offers customization of their open source CMS for a very reasonable price.
Specific chores, e.g. porting an open source package to a different data base (due to reliability issues), or adding specific features might be outsourced to an offshore development company.
ax^6 networks is currently evaluating potential offshore partners.

According to our estimates, it will take about three months to develop a beta version of the whole system, another month to iron out upcoming problems and refine the offering.

8.2.   Make vs Buy - Hosting

ax^6 networks' objective is to create a highly centralized system, which relieves its national subsidiaries from handling any technology related tasks. The cost of running its own data centers

gertis.*media*   starrett-lehigh /the thing
                      601 W 26th st 4fl   telUS: +1.646.552.9507
                      new york, NY 10001   telEU: +49.(0)172.820.8231
                      info@gertismedia.com   fax: +1.212.699.4247
                      http://www.gertismedia.com

page **41**/41 - © 2001/2002 hubert gertis, gertis.*media*

would be prohibitively expensive. At the same time, a centralized system offers economies of scale.
Therefore, the hosting of the server structure will be outsourced to a professional partner, which already offers
- a secure location
- multiple connections to different back bones, guaranteeing a high uptime
- professional services like scheduled back up

ax^6 networks is currently evaluating vendors.

8.3. Software: Simplified Overview, Core System

A simplified overview, showing ax^6 networks' system and its core components looks like this.
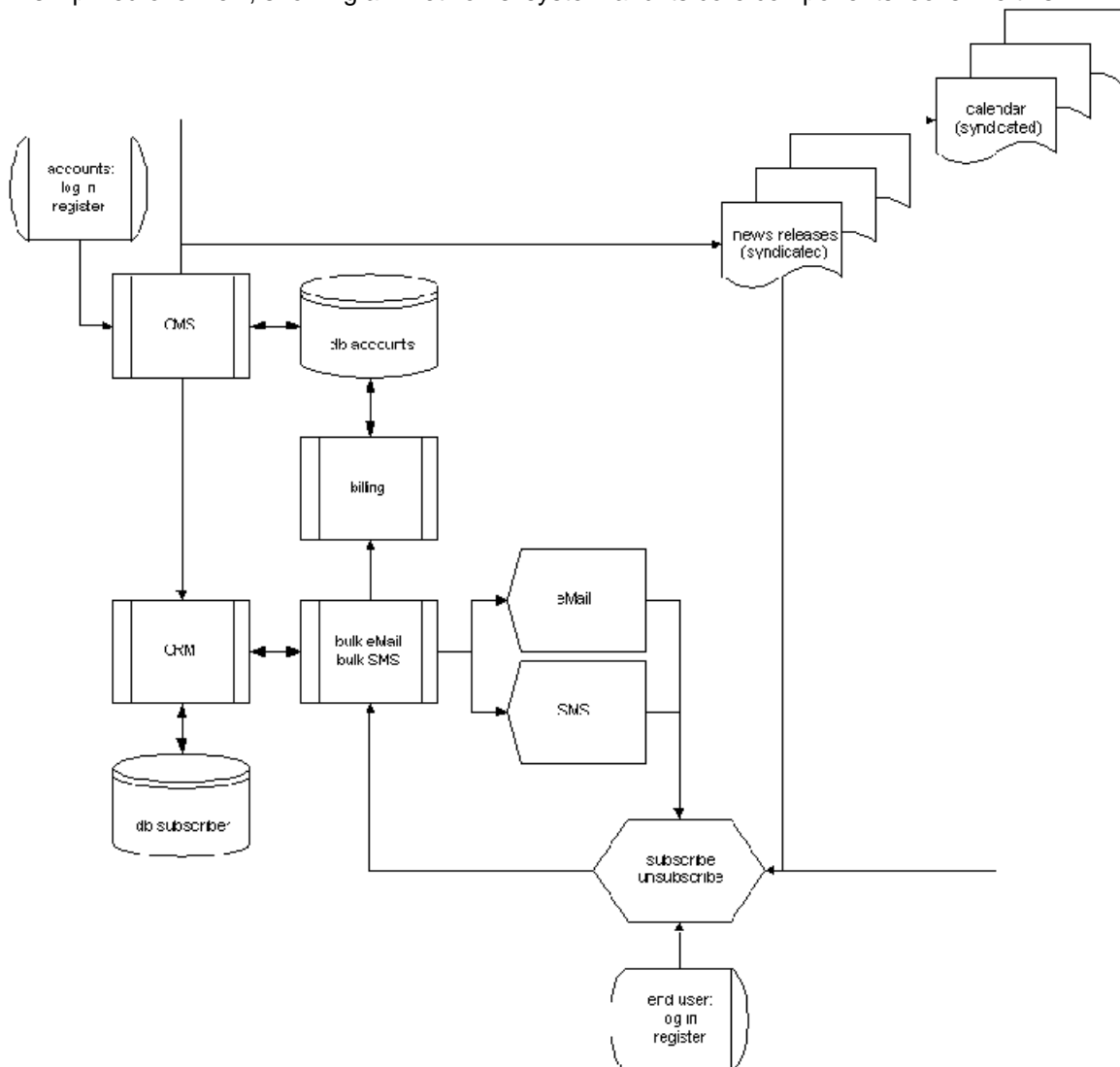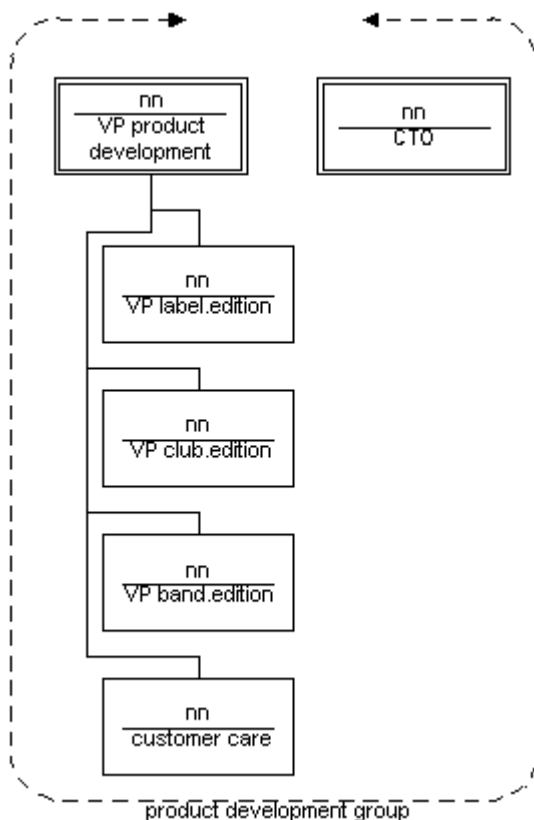
8.4.   Research and Development

Product development will be an ongoing process. In its first year of operations, ax^6 networks' club.edition will be the primary focus (due to the projected cash flow, generated by a fairly basic system). Nevertheless, the basic specifications for ax^6 networks band.edition and label.edition will be worked out in the first phase of the development, to ensure a viable software roadmap.

Initially, ax^6 networks band.edition and label.edition will not be marketed to their respective target groups, but be available as a basic system.

8.5.   People

In the beginning, there will be no dedicated product development group.
Later on, the team structure might look like this:

8.5.1. VP product development

The research and development group will be headed by Hubert Gertis, Co-founder and Co-MD of ax^6 networks. In a later stage, an explicit VP of product and development might be installed.
Tasks:
- project management
- channeling input from marketing, national subsidiaries, CTO

- roadmap of further developments.

8.5.2. CTO

Tasks:
- technical project management
- technical software roadmap
- technology tests and evaluations

8.5.3. VP band.edition

Tasks:
- product development ax^6 networks for band and artists
- channeling input from customer care, national MDs and business developers, key accounts.

8.5.4. VP club.edition

Tasks:
- product development ax^6 networks for clubs and promoters
- channeling input from customer care, national MDs and business developers, key accounts.

8.5.5. VP label.edition

Tasks:
- product development ax^6 networks for labels
- channeling input from customer care, national MDs and business developers, key accounts.

8.5.6. Customer Care

Handling customer service inquiries.

8.6.   Operations

As a centralized system, ax^6 networks will offer some economies of scale.
Main cost factors are server leases, data transfer, and servicicing of the infrastructure. The cost of the data transfer is almost neglible.
For the wireless communications part, if the communications model is solely based on premium SMS outpayments, the cost of sending out reverse charge SMS falls depending on the number of messages sent (as the outpayment ratio increases).

9. Financial Projections

According to our plans, ax^6 networks will reach its break even in its third year of operations. This will include a rollout in several European markets, starting in Germany, the United Kingdom and France, followed by Spain, Italy, and Scandinavia in its second year of operations.

9.1.   12-Month Budget

In its first year of operations, ax^6 networks will not generate substantial revenues, due to the fact that
- a base of primary accounts will have to be developed
- the primary accounts themselves will have to generate their own subscriber bases
The cost of operations in ax^6 networks' first year is calculated with 1,113,00.00 Euros. Revenues will probably not exceed the hundredthousand Euro mark.
Main cost factor is personnel, developing the markets.
The software development is calculated with 160,00.00 Euros.

cost		
marketing b2b	€ (33,000.00)	HQ, .de, .uk, .fr
marketing b2c	€ (181,500.00)	.de, .uk, .fr
personnel	€ (535,333.33)	HQ, .de, .uk, .fr
software	€ (160,000.00)	development
technology	€ (17,100.00)	server, services
datacom	€ (798.07)	GB transferred
office	€ (250,340.11)	rent, communications, furniture, PCs, travel, legal fees, accounting
total cost	€ (1,178,071.52)	total cost year 1
revenues	€ 76,951.00	.de, .uk, .fr
balance	€ (1,101,120.52)	balance year 1

9.2.   *Cash-Flow Projection*

cash flow planning	year 1	year 2	year 3	year 4	year 5
revenues band.edition	€ -	€ 16,940.20	€ 141,936.14	€ 455,981.17	€ 930,019.42
revenues club.edition	€ 36,104.39	€ 289,799.42	€ 1,102,264.33	€ 2,529,315.38	€ 3,352,607.75
revenues label.edition	€ 18,723.20	€ 181,261.29	€ 420,264.28	€ 635,294.49	€ 697,768.63
other revenues	€ 77.91	€ 732.65	€ 2,561.20	€ 3,604.67	€ 3,712.09
accrual of funds	€ **54,905.50**	€ **488,733.57**	€ **1,667,025.95**	€ **3,624,195.71**	€ **4,984,107.89**
material	€ (17,100.00)	€ (48,493.33)	€ (85,733.33)	€ (113,513.33)	€ (132,220.00)
external services	€ -	€ -	€ -	€ -	€ -
cash flow 1	€ **37,805.50**	€ **440,240.23**	€ **1,581,292.62**	€ **3,510,682.38**	€ **4,851,887.89**
cash out personnel	€ (535,333.33)	€ (1,357,762.50)	€ (2,080,912.50)	€ (2,384,492.63)	€ (2,553,752.76)

9.3.   *5-Year Income Statement*

profits and losses	year 1	year 2	year 3	year 4	year 5
revenues band.edition	€ -	€ 23,775.72	€ 199,208.62	€ 639,973.57	€ 1,305,290.41
revenues club.edition	€ 50,672.82	€ 406,736.03	€ 1,547,037.66	€ 3,549,916.32	€ 4,705,414.39
revenues label.edition	€ 26,278.17	€ 254,401.81	€ 589,844.60	€ 891,641.40	€ 979,324.39
other revenues	€ 103.88	€ 976.87	€ 3,414.94	€ 4,806.23	€ 4,949.45
total	€ **77,054.88**	€ **685,890.43**	€ **2,339,505.81**	€ **5,086,337.52**	€ **6,994,978.64**
material	€ (17,100.00)	€ (48,493.33)	€ (85,733.33)	€ (113,513.33)	€ (132,220.00)
external services	€ -	€ -	€ -	€ -	€ -
gross profit	€ **59,954.88**	€ **637,397.10**	€ **2,253,772.48**	€ **4,972,824.18**	€ **6,862,758.64**
personnel	€ (535,333.33)	€ (1,357,762.50)	€ (2,080,912.50)	€ (2,384,492.63)	€ (2,553,752.76)
office	€ (308,191.50)	€ (520,441.47)	€ (626,508.17)	€ (659,602.67)	€ (663,832.00)
marketing	€ (219,900.00)	€ (370,800.00)	€ (292,800.00)	€ (277,800.00)	€ (274,800.00)
depreciation	€ (39,000.00)	€ (49,333.33)	€ (65,333.33)	€ (26,333.33)	€ (55,000.00)
other (in office)	€ -	€ -	€ -	€ -	€ -
operating result	€ **(1,042,469.95)**	€ **(1,660,940.21)**	€ **(811,781.52)**	€ **1,624,595.56**	€ **3,315,373.89**
financial results	€ -	€ -	€ -	€ -	€ -
extraordinary results	€ -	€ -	€ -	€ -	€ -
other taxes	€ -	€ -	€ -	€ -	€ -
earnings before taxes	€ **(1,042,469.95)**	€ **(1,660,940.21)**	€ **(811,781.52)**	€ **1,624,595.56**	€ **3,315,373.89**
tax	€ -	€ -	€ -	€ -	€ (1,160,380.86)
profit/loss carried forward	€ (1,042,469.95)	€ (2,703,410.16)	€ (3,515,191.68)	€ (1,890,596.12)	€ 1,424,777.76
corrections	€ (1,042,469.95)	€ (2,703,410.16)	€ (3,515,191.68)	€ (1,890,596.12)	€ -
earnings after taxes	€ **(1,042,469.95)**	€ **(1,660,940.21)**	€ **(811,781.52)**	€ **1,624,595.56**	€ **2,154,993.03**

10. Conclusions and Summary

10.1. Approach

Premium SMS services are not yet commonplace. ax^6 networks will move fairly quickly by reaching out into several European key markets (Germany, France, UK), concentrating in its first year of operation its marketing efforts mainly on the club scene, followed by services for labels. In its second year, several partnerships should enable ax^6 networks to efficiently target bands and artists. At the same time, business development for Spain, Italy, and the Scandinavia will start.

10.2. Total Capital Required

ax^6 networks needs a total investment of 5.12 million Euros.

10.3. Profits

ax^6 networks will break even in its third year of operation. After five years, ax^6 networks expects cumulated revenues of approximately seven million Euros, generating an income of approximately 1.5 million Euros (EBIT).

11. Appendix

11.1. *Example rates SMS advertising*

uboot

- was ist uboot?
- werbeformen
- key facts
- zielgruppe
- preise
- report center
- glossar
- kontakt
- newsletter

download mediadaten

preise

werbeform	tkp	
banner	dm	€
run on site (ros)	45,-	23,01
premium zone / demografische schaltung	55,-	28,12
pro zusätzlichem demografischen target	10,-	5,11
special target	+ 30% zu "grund"-tkp	+ 30% zu "grund"-tkp
skyscraper		
run on site (ros)	99,-	50,62
pop up		
pop up standard	110,-	56,24
pop up unique	165,-	84,36
pro zusätzlichem demografischen target	10,-	5,11
special target	+ 30% zu "grund"-tkp	+ 30% zu "grund"-tkp
newsletter		
textzeile + link	80,-	40,90
demografische schaltung	90,-	46,02
je zusätzlichem demografischen target	10,-	5,11
special target	+ 30% zu "grund"-tkp	+ 30% zu "grund"-tkp
sms personal		
sms personal standard	80,-	40,90
demografische schaltung	160,-	81,81

rabattstaffel (jahr)

dm	€	%
25.000,-	12.782,-	2,5
50.000,-	25.565,-	5
150.000,-	76.694,-	7,5
200.000,-	102.258,-	10
250.000,-	127.823,-	12,5
500.000,-	255.646,-	15

11.2. Example rates eMail advertising

SCHOLARSHIPS.COM OPT IN EMAIL ADDRESSES   75541   11/26/2001

```
1,000,000 Total Permission Email  *
         Addresses
         10,000 -    50,000      $140/M
         50,000 -   200,000      $130/M
        200,000 -   500,000      $120/M
        500,000 - 1,000,000      $110/M
        Over 1,000,000           $100/M
        Counts Thru 06/2001


* Delivery @ $50/M

Want to reach a young audience with spending
power.

Scholoarships.com provides a centralized
location to bring access to local, state, and
national funding education financing resources
together in once place, free of charge.  These
college bound high school students, college
students, graduate students and parents who
register on teh Scholarships.com web site
answer a series of questions providing very
rich demographic and psychographic
information.  Their personal profile,
containing specific skills, talents,
interests, and abilities is sthen matched to a
database of over 600,000 college scholarships
awards.  Mailboxes are set-up by each
registered user to receive search results
(scholarship awards) and future udates.

http://www.sholarships.com


Additional Selection:
   Academic @ N/C

High School Students            105,000
College Students                501,000
Grad Students                    45,000
Parents                           7,000

Academic/Interest:  Birth Date, Area of
   Study/Intended Major, School Year, GPA,
   ACT/SAT/GED Scores, Class Standing, Current
   Loan Status, Organizations Involved With,
   College Attending, College Planning to
   Attend, Athletic Ability, Ethnicity,
   Religion, Hobbies
```

```
---------- DATE -----------
   07/01/2001    UPDATED
   08/02/2001    CONFIRMED

------- UNIT OF SALE -------
N/A

---------- GENDER ----------
% N/A
CAN SELECT

---------- MEDIA -----------
100% INTERNET OPT IN

-------- ADDRESSING --------
EMAIL ONLY

-------- SELECTIONS --------
   N/C AGE
   N/C DATE OF BIRTH
   N/C SCF
   N/C STATE
   N/C AREAS OF INTEREST
   N/C MONTHLY HOTLINE
   N/C 3 MONTH HOTLINE
   N/C GENDER/SEX

------- MINIMUM ORDER ------
10,000
```

g

1

11.3.   Forecast Mobile Broadcasting, GoldMedia

Executive Summary

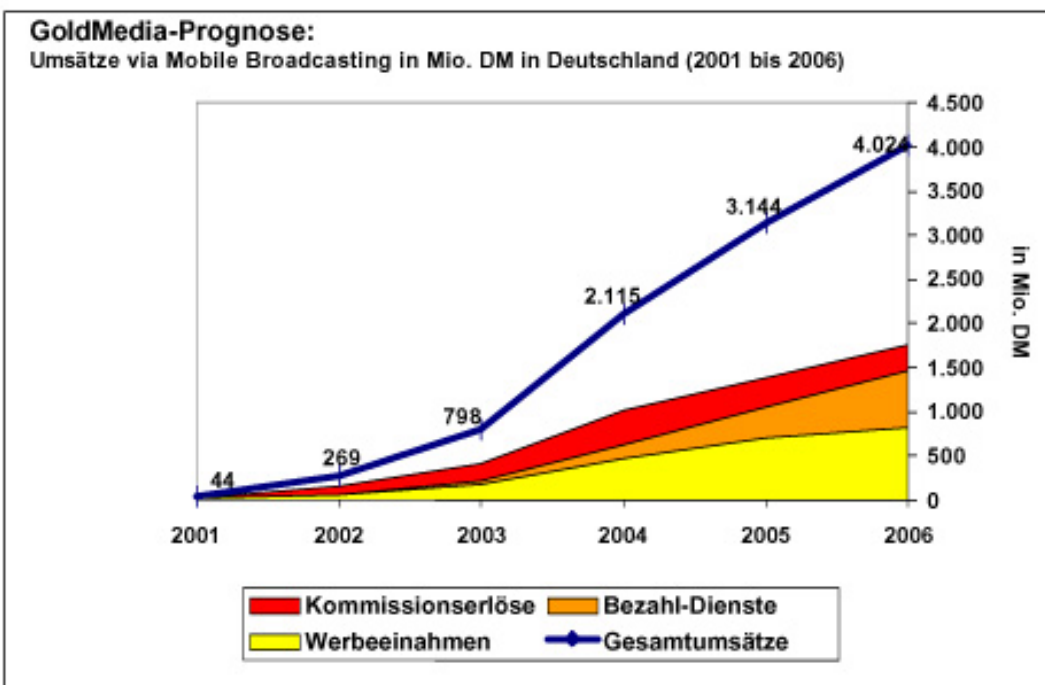## Definition von Mobile Broadcasting

Unter Mobile Broadcasting werden Push-Datendienste auf Mobiltelefonen verstanden. Darunter fallen Inhalte und Dienste aus den Bereichen Information, Unterhaltung, M-Commerce und Werbung. Diese Inhalte und Dienste werden derzeit entweder zielgerichtet per SMS an eine bestimmte Gruppe von Handy-Nutzern gepusht oder gleichzeitig an sämtliche Handy-Nutzer in vordefinierten Gebieten (Funkzellen) per Cell Broadcasting übertragen. Heute sind bereits über 90 Prozent aller Handys in Deutschland Cell-Broadcast-fähig.

Prognose

GoldMedia prognostiziert, dass in 2006 von 66 Millionen Handybesitzern in Deutschland rund **32 Millionen Nutzer** Mobile-Broadcast-Dienste nutzen werden. Insgesamt wird dann der Umsatz mit Mobile-Broadcast-Diensten bei **rund vier Milliarden DM** liegen. Diese Studie konzentriert sich bei der Prognose der Umsätze für kommerzielle Mobile-Broadcast-Dienste auf die Geschäftsbereiche, die derzeit bereits durch den Einsatz von Mobile Broadcasting als Marketing- und Vertriebsmedium Umsätze generieren. Dazu zählen:

➤ Kommissionserlöse durch M-Commerce-Umsätze, die über Mobile-Broadcast-Plattformen realisert werden
➤ Bezahl-Dienste (Informations- und Unterhaltungsdienste)
➤ Werbeeinnahmen

Wirtschaftliche Bedeutung wird zu Beginn vor allem der Bereich Kommissionserlöse für M-Commerce erhalten.

GoldMedia-Prognose:
Umsätze via Mobile Broadcasting in Mio. DM in Deutschland (2001 bis 2006)

Quelle: Eigene Hochrechnung GoldMedia 02/2001, (www.GoldMedia.de)

Mobile-Broadcasting: Push vs. Pull

Die mobile Nutzungssituation sowie die kleinen LCD-Displays der Mobiltelefone schränken die Darstellungsmöglichkeiten und Bedienungsfreundlichkeit von MCommerce-Angeboten von vornherein ein. Auch bei steigenden Übertragungsgeschwindigkeiten bei GPRS und UMTS bleibt es weiterhin umständlich, über Informationen zu suchen und abzurufen. Der mobile BtoC-Bereich eignet sich daher vornehmlich als Push-Marketing-Tool. Durch die Möglichkeiten der Personalisierung von SMS-Push-Diensten und der Lokalisierbarkeit von Cell-Broadcast-Diensten können Wireless Advertising und direkte Kauf-Angebote zielgerichtet an die Verbraucher gelenkt werden, mit wesentlich geringeren Streuverlusten als dies bei klassischer Werbung und zum Teil auch im Online-Bereich der Fall ist.

Mobile-Broadcast-Dienste können sowohl vom Markenartikel-Hersteller als auch vom lokalen Einzelhändler genutzt werden, um Image-Werbung zu betreiben oder auf Sonderangebote aufmerksam zu machen. Für die Mobilfunknetzbetreiber wie für externe Solution-Provider bedeutet dieser Value Added-Service eine zusätzliche, attraktive Einnahmequelle.

Zukünftig wird es zu einer Verschmelzung von Push und Pull kommen, wenn der Nutzer aus einer SMS oder zukünftig über eine WAP-Message direkt auf das MCommerce-Angebot eines handeltreibenden Unternehmen durchclicken kann (Click-Through).

Vorteile von Mobile Broadcasting

Mobile Broadcasting...	Effekt
...ermöglicht zielgruppengenaue Verbreitung von Informationen und Diensten.	Streuverluste werden minimiert. Marketing-Inhalte können effizient für die Interessen einzelner Empfängergruppen optimiert werden.
...basiert auf SMS-Technologie.	Die SMS-Technologie ist ausgereift und zeichnet sich durch eine einfache Handhabung aus, die der Nutzer schon kennt. SMS wird als Marketing-Tool bereits erfolgreich eingesetzt.
...hat jetzt schon ein hohes Marktpotential.	Das Marktpotential von Mobile Broadcasting wächst nahezu linear mit der Verbreitung von Mobiltelefonen. 2006 wird es 66 Mio. Mobilfunkteilnehmer in Deutschland geben; davon wird rund die Hälfte Mobile-Broadcast-Dienste nutzen.
...ist kostengünstig und ermöglicht die Übertragung von Inhalten in Echtzeit.	Content-Anbieter können Inhalte relativ günstig, schnell und unkompliziert versenden. Via SMS wird sichergestellt, dass die Zielpersonen die Nachricht wirklich empfangen. Via Cell Broadcasting funktioniert die Übertragung sogar in Echtzeit.
...ist UMTS kompatibel.	Die dritte Mobilfunk-Generation hat Cell Broadcasting als Dienst definiert. Übertragung von Audio und Video ist technisch möglich.
...kann je nach Bedarf vom Nutzer aktiviert werden.	Der Empfänger hat die volle Kontrolle, ob, wann und wie lange er Mobile Broadcast nutzen möchte. Permission Marketing sorgt für hohe Akzeptanz von Marketing-Inhalten bei den Empfängern.

Quelle: GoldMedia 02/2001, (www.GoldMedia.de)

Ziel der Studie „Mobile Broadcasting"

Die Studie Mobile Broadcasting ermittelt die ökonomischen Potentiale für den Mobile-Broadcasting-Markt in Deutschland bis zum Jahr 2006. GoldMedia hat dafür detaillierte Prognosen zu den Umsatzentwicklungen in diesem Bereich aufgestellt, die sich auf die Annahme stützen, dass Mobile-Broadcast-Dienste kurzfristig als MCommerce-Tool eine breitflächige Anwendung finden werden. Diese Annahmen werden durch umfangreiche Analysen des deutschen Mobilfunkmarktes und durch Case-Studies belegt. Darüber hinaus will diese Studie durch die Beschreibung kurzfristig realisierbaren Zukunftsszenarien Impulse setzen.

11.4. Outpayment Table wapMX UK Vodafone

wapMX.com

SMS Server:
Overview

Online Billing

System Status

Smart Messaging

Reverse Billing Edition:
White Paper

Technical Details

Implementation Issues

Vodafone UK:
Pricing Details

BT Cellnet UK:
Pricing Details

WapMX SMS Server Reverse Billing Edition - Vodafone UK

Vodafone UK Outpayment Table

WapMX offers the following revenue outpayments for Vodafone UK Reverse Billing SMSs:

Tariff Band	Message Price (inc. VAT) (pence)	11.8	17.6	23.5	35.3	58
	Message Price (ex. VAT) (pence)	10	15	20	30	5
	Combined Monthly Volume					
A	0 - 20,000	0	1.75	4.5	11.5	
B	20,001 - 25,000	0	3.25	6	13	2
C	25,001 - 50,000	0.5	4.25	7	14	2
D	50,001 - 100,000	1	4.75	7.5	14.5	
E	100,001 - 250,000	1.5	5.25	8	15	3
F	250,001 - 500,000	2.5	6.25	9	16	3
G	500,000 +	3	6.75	9.5	16.5	

The above tariff rates are based upon combined Calendar month Reverse Billing SMS volumes.

Vodafone Monthly Access Charges

There are currently no setup fees for opening a Reverse Billing SMS account on Vodafone UK.

Features	Monthly Charge
8886 Shared Short Code Keyword	150 GBP (Per Keywo
4-Digit Short Code	750 GBP
5-Digit Short Code	450 GBP

- All charges are paid in British Pounds Sterling (GBP).
- All charges do NOT include VAT.
- All charges can be made either by Credit Card, Debit Card, Bank Transfer, Cheque or Postal Order.

Vodafone Reverse Billing Information Table

The table below summarises the Reverse Billing SMS account offered by

Vodafone UK:

Features	Description
Billing Type	Mobile Terminated
Outpayment Rates	10p, 15p, 20p, 30p, 50p & 1 GBP (exclusive (Coming Soon: 2 GBP and 5 GBP)
User Coverage	Both Pre-Pay and Post-Pay Vodafone UK
Minimum Short Code Duration	12 Months
Minimum Keyword Duration	1 month
Setup Fee	None
8-Bit Smart Messaging Capability	Yes
Shared Keyword Short Code Number	8886
Available Short Codes	Vodafone Short Codes all begin with "8" r 5-Digit: 80000 - 84999 4-Digit: 8500 - 8999

Vodafone UK Specific Issues

Due to certain billing issues within the Vodafone UK Network, Vodafone does not always outpay 100% of the expected Reverse Billing SMS Revenue generated. Vodafone will only Outpay revenues that they claim they have received themselves. If your customer base comprises mostly of "Pre-Pay" customers, then lower outpayments often occur, in comparison to "Pay-Monthly" subscribers.

Account Setup

A Vodafone UK Reverse Billing Edition account can usually be setup within 24 hours for a Shared Short Code. If a Dedicated Short Code is required, this needs to be setup directly by Vodafone UK. The time required for this can vary, but is usually in the region of 5 - 10 working days.

Sign Up

To Sign up for a WapMX SMS Server Reverse Billing Edition - Vodafone UK account, please contact sales@wapMX.com or call 0845 666 7778 (+44 845 666 7778).

11.5.   Vitaminic: Company Profile

COMPANY PROFILE

Vitaminic is the **leading European digital platform for the promotion and distribution of music over electronic networks**, using the latest broadband and wireless communications technologies. Vitaminic operates in **ten countries with local teams and web sites**: nine in Europe - Italy, the United Kingdom, Germany, France, Spain, the Netherlands, Sweden, Denmark, Denmark and Ireland - and one in the United States. All the local sites of the Vitaminic Network reflect the individual markets in which they operate, customising content to satisfy local audiences.

Vitaminic revolutionises the way music is listened to, promoted and delivered: Vitaminic aggregates **content** from major record companies, independent labels and artists (who can have direct access to a protected and fully dedicated area of web sites, called backstage), and offers them the opportunity to promote and sell their music.

Vitaminic works with over **1,400 labels, including the majors BMG, Emi, Sony, Universal and Warner**. The company manages a music catalogue of more than **374,000 digital tracks**, from about **86,000 artists** (as of 30th November 2001), organised into over 250 music genres. Vitaminic offers record companies and artists immediate earnings of 50% on the sale price of each title, with no start up costs or exclusive binding contracts.

Vitaminic offers **users** access to one of the Internet's widest legal musical offerings, allowing them to stream and download tracks for free and on payment.

Vitaminic provides companies with digital music services, **syndicating its contents and technological infrastructure** to over 70 major online and offline operators and **offers its music services to the recorded music industry**.

Vitaminic has recently incorporated **ZipMind Srl**, whose core business is to offer music publishing services to authors, publishers and third parties (record labels, film studios, advertising companies, radio and TV stations, etc.).

Vitaminic is the first online music company in Europe to introduce a **subscription service**: the **Vitaminic Music Club**. The service allows users to download unlimited music for a half-yearly or annual subscription fee. The Vitaminic Music Club is also a unique business tool, giving companies the opportunity to add value to their existing services by tailoring subscription packages for their customers.
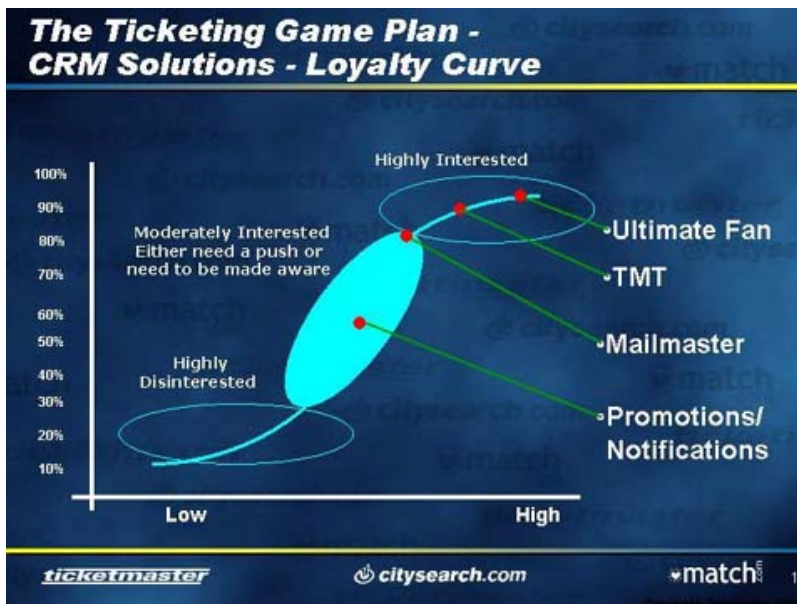
Vitaminic operates **in complete accordance with copyright regulations** and is a co-founder of the e-DIMA (European Digital Media Association) and also a member of SDMI (Secure Digital Music Initiative and FIMI (Federazione Industria Musicale Italiana).

Founded in April 1999 as the idea of [Gianluca Dettori](#), [Franco Gonella](#) and [Adriano Marconetto](#), the company, due to its high potential, has benefited from **venture capital** from the Kiwi I Ventura Servicos S.A. fund, and further investment from venture capital firms led by Chase Capital Partners and Access Technology Partners L.P.

During year 2001, Vitaminic acquired Eurekan Multimédia S.A - the French company which owns **FranceMP3.com and MP3France.com**, leading online digital music web sites in France - and all the assets of **IUMA**, Inc. - the Internet Underground Music Archive, one of the U.S. leading artist communities - **becoming the second largest artist community on the Internet worldwide**. Vitaminic signed a definitive agreement to acquire the 100% of the issued share capital of **Peoplesound.com Ltd.** , a leading European digital music company.

Vitaminic has been listed at Nuovo Mercato of the Italian Stock Exchange of Milan, Italy, since October, 12th, 2000.
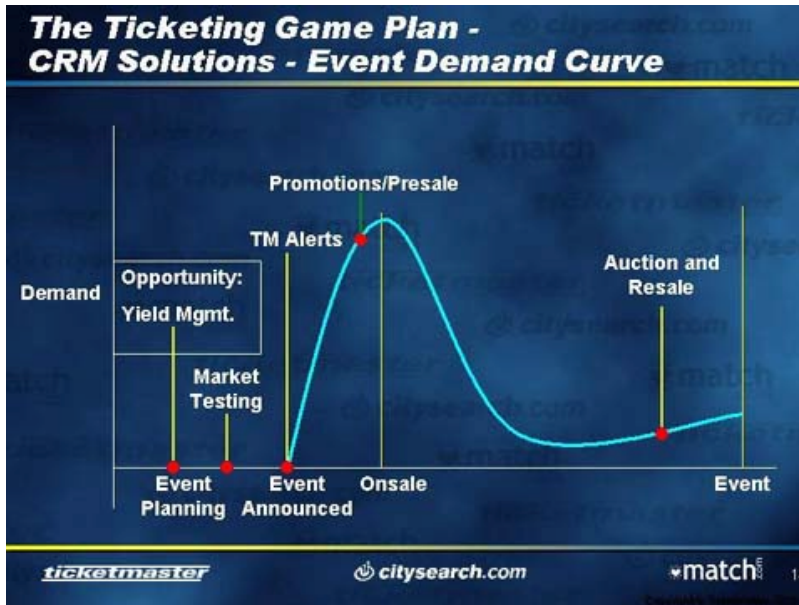
11.6.   *Ticketmaster at SalomonSmithBarney*

The Ticketing Game Plan -
CRM Solutions - Event Demand Curve

11.7. **Calculations**

ax6.xls