

Mobile Services in a Downturn

8 Benefits of Open Source Mobile 'We' Push Email and Mobile Sync

White Paper

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FUNAMBOL

Introduction

As economic signals indicate, many regions around the world are bracing for a downturn. While nobody knows yet what the full impact will be on the mobile industry, consumers and businesses alike are tightening their belts. They are carefully reviewing their spending to stretch their budgets as far as possible.

Conventional wisdom holds that people will forgo essentials such as milk and bread before they give up their mobiles. The reality is that many people will be reviewing their mobile expenses, with an eye towards discerning "must-haves" versus luxuries. Mobile services and content that may have been purchased in the past, such as games, ringtones and music, may no longer be a priority.

The question is where will people and businesses draw the line. Although most will keep their voice plans, there will be downward pressure on voice revenue, as users migrate to less expensive options. The larger potential impact may be on data plans and premium services, which until recently, have seen rapid growth and have been quite lucrative. As users have fewer discretionary funds, this could impact their purchase of items that are perceived as less essential.

We are likely entering an era where users and businesses will go 'back to basics', such that they buy mobile services that are only perceived as critical. Users have clearly shown that mobile messaging is essential, as mobiles are used first and foremost for voice and SMS. Mobile email remains the top service that most mobile users still want, according to several research reports.

A trend is that when people can get a mobile service for less, they will switch, when they can. For many people, this means no longer paying \$30+ a month for BlackBerry service when they can get push email and mobile sync for \$5 or \$10. This is what Funambol open source Mobile'Ve' provides. Multiplied over the course of a year, that equates to savings of \$250 or more per person. For a family of 4 or a company of 100 or 1,000, that adds up to a lot of savings. There are additional savings and revenue opportunities that stem from Funambol supporting the vast majority of feature phones, not just smartphones.

As mobile spending comes under pressure, it is more crucial than ever for providers to identify and tap into every bit of demand in their market. Providers that already offer webmail and email face a quandary regarding mobile email and sync. If they do not offer it, they risk losing share to companies such as Apple with iPhone/MobileMe, Google with Android and Nokia with Ovi. What's the best route for offering a MobileWe-like push email and mobile sync solution today?



Now more than ever, an open source solution is the clear and compelling choice. Here are 8 benefits of an open source MobileWe solution in a downdraft market.

1. **F**ree/low price, for a big market
2. **U**ltimate control
3. **N**ominal cost of ownership and operation
4. **A**doption open source style, for lowest marketing cost
5. **M**ore value for less
6. **B**roadest market reach
7. **O**pen source platform for more service revenue
8. **L**owest risk, for greatest longevity

Let's examine the **FUNAMBOL** benefits.

1. **Free/low price, for a big market**

A primary axiom of economics is that for many goods and services, the lower the price, the greater the consumption. For many mobile services, there is significant evidence that the lower the price, the higher the usage. Taken to the extreme, research shows that users are 10 to 20 times more likely to use a free mobile service versus a comparable paid service.

Open source helps mobile providers generate service revenue in two ways. It lets offerings be priced less than proprietary solutions, due to the lower overhead of an open source company. This allows significant cost savings to be passed to customers, enabling them to deploy an open source MobileWe service for a fraction of the price of alternatives – stimulating demand and generating revenue.

Funambol also offers a mobile ad-funded model that displays banner ads in its push email clients (you can try it for free at my.funambol.com). The ads generate incremental revenue, enabling mobile services to be offered for free or ultra low pricing. Together, open source's low overhead and the ad-funded model create greater demand via mass market price points, resulting in more usage and revenue for providers, as well as a 'sticky' service that maintains user loyalty.

2. **Ultimate control**

In today's market, it is paramount that providers have total control over their services so they can quickly adapt to changing conditions. Open source fundamentally empowers companies, as it strengthens their relationship with their technology providers. Because customers have access to the source code, they can more easily customize and integrate open source into their infrastructure. They do not need to rely as much on technology providers for implementation. This is important, as mobile deployments require flexibility. Because companies can access the code, they control their destiny.



A primary reason why customers tell us that they purchase Funambol software is that open source empowers them. They typically download our open source software and documentation, install it, get it working, see that it meets their needs and get questions answered by a community of technical enthusiasts – without even contacting us. When they learn that there is a solid commercial company behind the software that provides additional capabilities and support, and that nurtures its community, they view this as a major plus.

As an open source company with a global community and a large roster of blue chip mobile customers, we operate with a large degree of transparency. At a practical level, this means that our engineers interact closely with customers and users, and we collaborate on virtually all aspects of our software, from features to betas and product roadmaps. This transparency puts customers in the driver's seat where they are in control of their future.

3. Nominal cost of ownership and operation

Open source is significantly less expensive to acquire, deploy and sustain than comparable proprietary alternatives. This is due not only to the lower overhead of open source but also because providers can leverage a complete open source stack, including operating systems, app servers, databases and management software that runs on lower cost commodity hardware. Companies can further avail themselves of significant free technical expertise, collaboration and resources from a global open source community. This results in a much lower total cost of ownership, including lower ongoing operational expenses.

4. Adoption open source style, for lowest marketing cost

One of the most costly aspects of bringing a mobile service to market is gaining a critical mass of users. A current example is the tens of millions of dollars of TV advertising that RIM is spending to expand the BlackBerry user base. Providers must expend a lot on sales, marketing and distribution to grow a service.

Distribution is starting to change in the mobile world, as mobile phones are making it easier to download software. For example, iPhone has App Store and Android has Google Marketplace. The key point, however, is that even if you make a new mobile service easily available, it does not mean that users will necessarily come, especially in tight times. You must find an innovative marketing approach that cuts through the clutter and changes the rules of the game to get your service into the minds of target users and onto their phones.

One of the most intriguing advantages of open source is the way it compresses sales, marketing and distribution costs. This becomes even more important when marketing spend declines. At Funambol, we have leveraged viral adoption to gain nearly three million software downloads, with negligible marketing cost.



This is due to support from the worldwide Funambol community, and from developers telling others about the coolness of our software for mobile projects. The amount of sales and marketing 'clout' that the open source model has generated is equivalent to many millions of dollars.

Companies that deploy an open source-based solution such as Funambol MobileWe can realize similar benefits. It requires making a service compelling and frictionless for early adopters, and giving them a reason to promote it to others. There are several low cost open source-type viral adoption methods that can be employed to spur adoption. These include referral programs, grassroots public relations and e-marketing.

5. More value for less

We are in an era where the winning mobile ventures are those that offer more capabilities and value for less. Once users get introduced to and hooked onto a service, and perceive that they are getting more value than before, they are more likely to appreciate it and keep using it.

Open source enables providers to offer a valuable Mobile'Ve' service for the rest of us -- push email and mobile sync -- for less cost. Instead of requiring users to buy an expensive smartphone, users can use their existing handsets. Instead of requiring \$30 or more per month, they can offer a value plan that appeals to many more users. Today's mobile market requires providing the maximum value for least cost, and open source is the best way to achieve this.

6. Broadest market reach

A major roadblock to gaining volume in mobile services is device fragmentation. It is traditionally quite expensive to deliver a mobile service to the mass market due to the wide variability of devices to support. Consider MobileMe that only supports the iPhone and certain iPods, and RIM, that only supports a couple of dozen of their own BlackBerry devices. In contrast, there are over 1,000 models of cell phones used by 3.5 billion subscribers around the world.

Funambol open source MobileWe supports 1.5 billion smart and feature phones, including iPhone, Android, BlackBerry, Windows Mobile and most importantly, mass market feature phones such as many Nokias, Sony Ericssons, Samsungs, LGs and Motorolas. This is many more devices than proprietary solutions.

Funambol uniquely supports this diversity of devices due to our 50,000 person open source developer community. They test Funambol software on the broadest range of wireless phones and mobile networks around the world. Because they have access to the source code, the developers help make the software run on all of these devices, and they contribute their work for everyone. The result – Funambol open source translates into the broadest market reach, providing you with the largest addressable market opportunity.

7. Open source platform for more service revenue

It is more important than ever to deliver must-have not nice-to-have services. Push email and mobile sync are only the tip of the iceberg of essential mobile services that can be offered.

For example, as more content such as contacts, calendars and email is synced from mobiles to the internet, it becomes only natural to sync additional content such as images, ringtones, games, videos and text messages. This creates an opportunity to complement 'basic' syncing with premium or ad-funded services that provide more ways to manage and share content.

As users get accustomed to syncing to a cloud-based portal, and viewing the portal as their repository of mobile content, it also becomes natural to sell mobile content. This is what Apple is doing with iTunes, MobileMe and their App Store, and others in the industry are following suit.

The important requirement is to have a core sync platform as the foundation for additional service revenue. Open source helps ensure that the platform is flexible and future-proof for additional services that you may offer over time.

8. Lowest risk, for greatest longevity

An important consideration in working with any vendor today is how their solution will remain relevant in a downdraft market. As a case in point, Funambol recently raised \$12M. The company has experienced several consecutive quarters of rapid sales growth and is very cash efficient and cost effective. This is in contrast to most other providers of push email and mobile sync that have spent much more than Funambol and that have much higher cost structures. They are on financial thin ice and their ability to raise more money and remain viable does not look good.

Perhaps more importantly, our source code is available in the public domain under an industry standard open source license. It is backed by a large community of knowledgeable developers that constantly update the software to support new handsets such as iPhone and Android. In the unlikely event of business interruption, the community provides assurance that the software will live on and be supported. This is in contrast to proprietary vendors, whose source code is locked away in escrow, with access likely to be entangled by legal concerns.

Open source is the ultimate insurance policy that reduces your risk by ensuring that the software will remain available, accessible and supported for a long time.



Recession-Proof Mobile Service Revenue: Open Source MobileWe

Funambol open source MobileWe provides 8 compelling benefits in today's economic environment.

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To learn more about how Funambol enables you to generate mobile service revenue, visit <http://www.funambol.com> or contact the Funambol sales team.

About Funambol

Funambol provides open source MobileWe push email and mobile sync solutions for the mass market. The commercial version of Funambol has been deployed at service providers, mobile operators, portals, device manufacturers and ISVs including customers such as AOL, 1&1, Earthlink and CA, Inc. Funambol is headquartered in Silicon Valley, with an R&D center in Italy. For more information, please visit <http://www.funambol.com>.