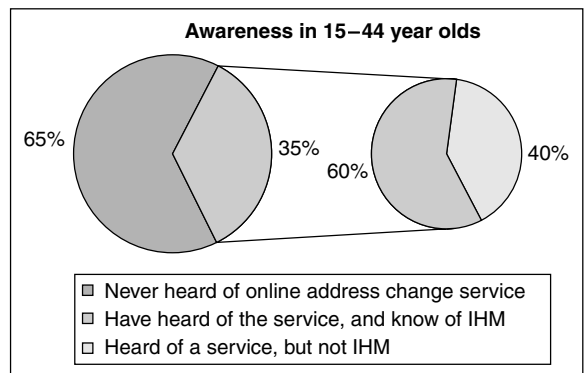


5 Innovation and Branding for the Web

CASE STUDY 2: ihavemoved.com – PART A

WHAT NEXT?

In July 2000 the four founders of ihavemoved.com sat at their boardroom table in the grip of a mild panic. Having launched their website in November 1999 and secured £2.5m finance in March 2000 – signed just before the NASDAQ crash – they were faced with significantly dropping registration rates. The advertising campaign they had run in May and June 2000 to raise awareness had a positive impact on overall brand awareness, and had attracted lots of visitors to their website, but actual sign-ups to their services were dropping significantly. What were they to do next to secure the future of the company in which they had invested all their personal wealth?



THE STARTING POINT

The ignition point for ihavemoved.com (IHM) occurred during the MBA at London Business School in 1997. For their second year project, David Anstee and Niko Komninos teamed up to develop a business plan. Internet ideas were still hip and cool back then, so the original idea was devise a website on which people could view properties for free and the company would make money from selling mortgages. Their idea got nominated to represent LBS at the European Business Plan competition at INSEAD, France, in June 99. As soon as they arrived they found out that people from Imperial College had a very similar idea which led, not surprisingly, to a lot of frantic activity on both sides to fine-tune presentations and impress the jury. Custom-made folders were produced for each judge and glasses of vodka with mango juice were handed out – a potent subliminal reminder of the company's name: 'MangoHomes'. But not only that, as David remembers, 'We also did a fake *Business Week* cover with "MangoHomes wins" which was put under the judges' hotel room doors overnight.' But to no avail, whereas Imperial achieved 3rd, they did not even get placed.

**MONEY
Go Round**

ONE of the biggest hassles for home-movers is making sure you've given everyone your new address including utilities, the DSS, Passport Office, DVLA and taxman.

Now a website will contact up to 600 organisations for you free. Just log on to **www.ihavemoved.com** If you haven't got a computer, phone 0207 799 3300 for a form.

Also realizing that the time lapse between identifying a property and dealing with the mortgage might cause problems, they started a major rethink of the original idea, deciding that they should find a value proposition that would integrate better into the service.

The revised idea was sparked by a conversation over the breakfast table between two of the later company directors, Francesco Benincasa and David, who rented an apartment together. Occasionally at weekends they used to sit down and go through all the mail that would pile up during the week. They used to get stacks of mail, addressed to other people, obviously previous tenants who for one reason or another hadn't bothered to tell their friends, debt collection agencies and utility suppliers that they had moved. Francesco and David wondered where the people had moved to and what they were missing out on by not receiving their post. They also thought about how much money companies were wasting by posting out information to people who would never receive it. They expressed their vision as: 'ihavemoved.com will enable individuals and companies to change address for every piece of mail that crosses their threshold; quickly, easily and conveniently.' The idea for a change of address service was born in summer 1999.

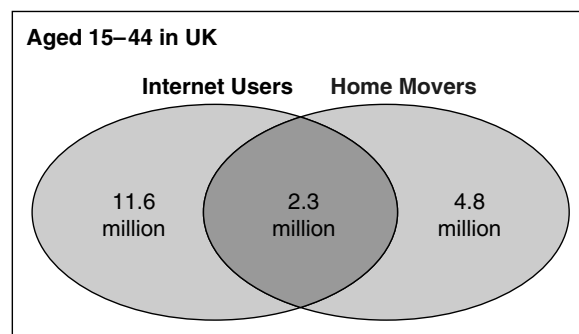
They presented their revised business idea at London Business School in Kathy Hammond's class 'New Media Markets', but the feedback they got from students, who were quite concerned about privacy issues, was quite negative! However, this time they were not dissuaded by the negative feedback and decided to push on.

By this time, the team had grown to four, Onic Palandjian, a childhood friend of Niko's had joined, bringing his sales experience to the party, an ideal complement to David's background in finance, Niko's marketing expertise and Francesco's knowledge of internet business gleaned from running an internet consultancy (more details of their professional background can be found in Appendix I). Not only were the professional skills complementary, they also got on well at a personal level, which was considered very important as Francesco emphasized, 'I'd lived alongside David for a year before we worked together and Niko and Onic grew up together, so we all knew how each other would react in a fast-growing business.'

To avoid complications and disappointment, the autumn was spent not only refining the idea, seeking lawyers' advice and developing a website, but also for lots of meetings to talk about where people felt they should be in five years' time and what they wanted out of life.

MARKET OPPORTUNITY AND COMPETITION

The population of the UK is just under 60million, of which around 10% move each year. Nearly 80% of all movers are aged between 15 and 44. This corresponds closely to the demographics associated with internet usage, with 78% of users falling into the same age group. From this information, they deduced that there are at least 2.3 million online movers each year in the UK.



When ihavemoved.com launched their website there were about 100 property sites around, but they were the only company offering an online change of address service in the UK. In contrast to mail forwarding with the Post Office, their service was free to movers. It was not until July 2000 that a competitor emerged, being a close copy of how IHM's site looked at the time. 'Company X'

had started as an offline service but launched an online version just after ihavemoved.com's advertising campaign. As David remembers, 'We responded to their threat by also offering an offline form, figuring that if they were entering "our" market, we would enter theirs and increase the pressure.' In autumn 2000 Company X, employing six staff (of whom five were directors drawing no salary) and averaging about three address changes a day, was seeking £750k in funding. With the very tough market, raising money was almost impossible, especially with a clear market leader in IHM distancing itself from them apace.

Jun 99	Leave LBS
Jul 99	Set up company
Aug 99	Demo site — put up companies — process first CoA
Sep 99	HSBC loan
Nov 99	Bluewave site launch
Dec 99	British Gas
Dec 99	PowerGen
Mar 00	Rothschild funding

FROM IDEA TO REALITY

ihavemoved.com ltd was registered in July 1999. Then, to prove the concept and have a prototype to show potential partners and investors, Francesco built a functioning demo site. The founders skimmed the fax or email addresses for customer service departments off bills and websites of key companies, and used this to pass on the trickle of change requests that came through the site. Whilst a bit cheeky and only marginally legal, this 'rapid prototyping' approach proved the concept, boosted the learning cycle and gave the impression of progress and credibility.

Through the UK Government Guarantee Scheme, the company was able to raise £30k in an unsecured loan from HSBC, due to a relationship Francesco had from his previous company. This enabled IHM to retain Bluewave, a web design agency selected from a shortlist of three firms for their understanding of the opportunity and their enthusiasm for the project.

Equipped with initial screen shots from Bluewave and a healthy dose of enthusiasm, it was time to start selling. Two factors made the utility sector the most amenable to IHM's offering. Deregulation in the electricity and gas markets had resulted in intense competition for customers. Secondly, moving home requires disconnection and reconnection, and this is the perfect point to capture a new customer... or lose an existing one. Utilities were the companies to hit, and Centrica (British Gas) was the biggest game in town.

VALUE PROPOSITION

Basically, companies would pay for clean information delivered at the time of moving, in a format easily incorporated into their customer database. This would save costs and make it easier to stay in touch with customers. For movers, this free service would save time and hassle, as well as acting as an effective reminder for all the tasks easily forgotten during the stressful moving process. ihavemoved.com made a high gross margin revenue stream from notifications and commissions. They also collected rich and timely information about its users. This was seen as the likely real long-term value of the company.

Using the website

- Log on
- Enter old and new address
- Select the companies which need to be informed
- Enter specific data where required
- That's it

THE REVENUE MODEL

The team came up with a number of revenue avenues, including charging users of the site, however, after investigating the options, it seemed the following were the best options:

- *New customer commission:* the service provider partners offer significant commissions on new customers, cross-sales and up-sales. In the case of a Telco, this ranges from £5–£90, depending on the product sold. From one energy company, a new dual fuel customer can generate up to £40.
- *Digital update service:* ihavemoved.com partners pay £1.00 per notification of a customer address change in a digital format compatible with their existing database. This pales in comparison to the expenses associated with call centres, data entry and administration.
- *Banner advertisements:* the type of traffic ihavemoved.com attracts, and the ability to target specific ads at very narrowly defined demographics, has enabled the company to sell banner and sponsorship space at above average rates.

LOOKING FOR FUNDING

Having the idea seemed easy, but how and where to get the money for the investments necessary to get the business going? The four partners had used their own money – around £100,000 in total – to get the business off the ground, but they now needed serious money to put the company on a proper footing: offices and more staff were needed to enable growth. In addition, they realized that they would have to upgrade the website, which did not work quite as they wanted to. The usability both from the user as well as their perspective was not satisfactory, it was inflexible and unintuitive.

With the website up and running, first customers and companies signed up and with first revenues coming in they had not anticipated how difficult it would be to find investors, especially as money seemed to be handed out to almost any business ideas during this time, the dotcom boom. Initially they were quite protective about their idea – but got more relaxed as time went on. Without introductions it was literally impossible to get through doors – and even with an introduction it was hard work to get even the chance to present the idea. David remembers, 'Rising above the noise was difficult. Venture capitalists were seeing so many business proposals and dotcom ideas that they were difficult to contact, were frequently rude and usually devoted very little time to each new idea. It did not help that many operate on a black-ball system where one vote against it is sufficient to reject the proposal. While we could usually convince the people we met of the merit of the idea, it was very difficult to get in front of people in the first place. In a way venture capitalists are quite risk averse, they want proof that something has worked before – but what if what you do is so new it does not have a point of referral?' It was an interesting experience to find that venture capitalists should prefer to invest in 'me toos'.

After contacting over 40 VCs, and presenting at dozens of meetings, the breakthrough finally came on the 18th January. The following Tuesday saw them holding their regular networking evening at the Mermaid Theatre in London. CNN were filming the funding frenzy, and they followed the ihavemoved team as they worked the room. At the dinner that followed, Francesco sat next to Zoe Appleyard of Continuation Investments N.V. ('CINV' – the principal private equity vehicle for the Rothschild investment banking group.) Zoe was the executive responsible for bringing in new business at the firm. Not only did she like the business concept immediately, it also fitted very well with CINV's investment strategy, which focused on investing in TMIT businesses (telecom, media, internet, technology). While most investors had been sceptical about the business idea, CINV immediately saw some unique

selling points such as a first-mover advantage, a good concept that was simple and obvious, and further possibilities once the data had been collected. In addition, there were synergies with another CINV investment, upmystreet.com (incidentally ihavemoved.com and upmystreet.com entered a business relationship in July 2001). The investment proposal went to committee mid-February and the contract was signed on the 8th March 2000.

After a first investor was secured, others followed suit: Hyundai, who saw them on the 19th of January CNN broadcast, Nicholas Negroponte whom they met through a Greek connection of Onic's, and Internet Indirect (later acquired by New Media Spark). By the time they signed the investment agreement for £2.5 million in March 2000, things were desperate: they had sold houses and stretched out their credit cards to the limits, BT had already cut off the phone, and they were seriously short of cash. The timing was tight from another perspective too: just two days after they signed the agreement the dotcom crash happened and the NASDAQ index went into free fall.

PUTTING THE MONEY TO WORK

With fresh money available, the founding team was now able to put structures and systems into place that would set the company up for future growth. Immediate steps were to get offices and hire five more people (an operations manager, an operations assistant, a sales manager, a marketing assistant and a website manager). The total number of staff grew from seven in March 2000 to 12 in May and 17 in July.

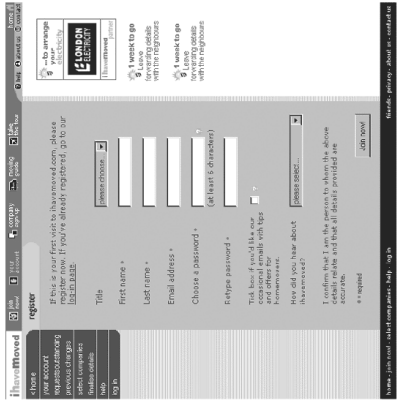
Next on the agenda was an upgrade of the website by Bluewave to sort out problems with the functionality of the site and to improve the user experience. Then they commissioned Conquest to design an advertising campaign to boost awareness and position themselves as a first-mover. This ran in June 2000, to coincide with the re-launch. Costing £600,000, this was quite a moderate amount for an internet start-up. So far they had only deployed one successful PR campaign with most major national newspapers covering the story.



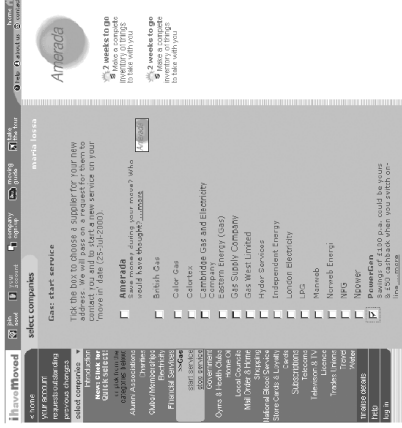
To mark the re-launch of their website they decided to celebrate with a high-profile event at the Royal Opera House. Their breakfast seminar on the 2nd of June 2000, for which they had secured high-calibre speakers such as Nicholas Negroponte, founder of the MIT Media Lab and *WIRED Magazine* and Alex Allen, the UK e-Envoy, the event was attended by their other investors, 200 delegates from the UK's largest companies as well as CNN.

The results of the medium-sized launch produced good results, about a third of the target population of 18–44 year olds knew that they could change their address online, 60% of whom also knew that the place to do it was ihavemoved.com. The team were also pleased to find that all service providers they contacted seemed to have heard of ihavemoved.com. While the campaign had been great in promoting awareness of ihavemoved.com's services, it had also alerted competition to a great opportunity: in July 2000 a competitive site went online. Company X had previously offered their service offline and now decided to offer their services online too.

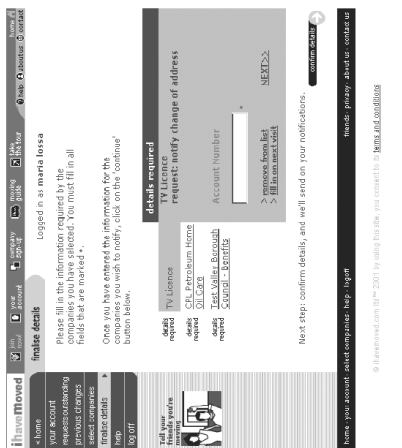
While the re-launch had been a great success, they had struggled greatly to get Bluewave to complete the redesign of the website for the re-launch, despite quite close operation and making extra funds available to boost resource



1. Register:
Old and new address and moving details



2. Select:
All of your service providers



3. Finalize:
Answer security questions

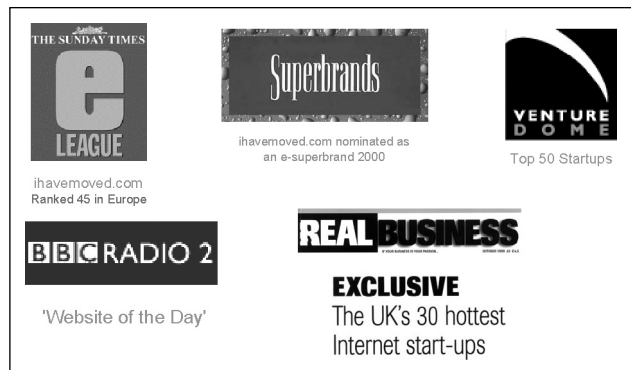
input at Bluewave. Even with only two weeks to go to the start of the advertising campaign and the re-launch party, the website had been far from ready. Frustrated at the progress, they decided to get technical and design expertise in-house and hire a Chief Technical Officer. However, this was quite a risky move as none of the directors had the knowledge necessary to assess the technical capabilities of the new recruit. Using their network they found Andrew Day who turned out to be just what they needed. Not only was he able to immediately identify major flaws with the newly redesigned website, he was also able to fix them. Having the design resource in-house not only gave them more control, it was also much cheaper.

Andrew Day

Information technology has been a part of Andrew's life since he was 13 years old, when he wrote the first published machine code version of the game *Space Invaders* in 1977. After four years in the banking sector, in 1995 he founded a company to offer online information services – he could be viewed as one of the original dotcommers. Before joining *ihavemoved.com* in June, Andrew provided consultancy services to Virgin Mobile Phones.

THE NEED TO ACCELERATE GROWTH

So far so good. The company had successfully secured funding, re-launched its website, and the advertising campaign had given the company a profile in the crowded dotcom scene. High levels of interest from the media had helped too: between 1st November 1999 and 31st August 2000, the company achieved 161 mentions in the press, averaging four a week. This reached a cumulative 46.7 million people in the UK. In addition, the company and website had won several awards. However, the high levels of awareness did not seem to be translating into actual customers, sign-ups to the services were lower than expected and they needed to grow faster to meet revenue projections and financial commitments.



When the directors were pondering what steps to take to accelerate growth, they revisited the arrangements they had with one company, PowerGen. In December 1999 PowerGen and *ihavemoved.com* had come to an arrangement under which PowerGen had incorporated *ihavemoved.com*'s service into their own website. PowerGen had understood immediately the benefits that 'clean' and formatted data would provide, and had wanted to ensure that more of its customers would be using the system. It also meant that they would be able to offer a better service to their customers who, when visiting PowerGen's website, would find an address changing service as part of the site's offerings. The website would of course be branded with PowerGen's look and feel. *ihavemoved.com* would lose its branding and the only reference to IHM would be 'powered by *ihavemoved.com*'. The question was, whether it would be feasible and sensible to offer such a structure to other customers. Many organizations had to re-acquire their customers when they move, and these organizations are very keen to find newer, more efficient ways of doing this.

This was an interesting proposal but quite threatening too. If a strong brand was considered increasingly important for a 'bricks and mortar' company, it was said to be essential for a web-based one. Over the months they had

managed to build up very good awareness for their brand, would they lose all that by having their concept integrated into another organization's website?

And how would PowerGen's competitors react if ihavemoved.com put their services on PowerGen's site? Would they stay with ihavemoved.com or would they withdraw?

Finally, the production of custom-made pages for different providers took development time and resource, which cost money. Could ihavemoved.com get companies like PowerGen to pay for this production when essentially this initiative helped promote the ihavemoved.com service and create revenue for the company from the backend notifications? Would the partners instead seek to charge ihavemoved.com or request revenue share for promoting them on their websites and should ihavemoved.com pay?

QUESTIONS

- Why was it important to position ihavemoved.com as a first-mover?
- What would you do to take the company forwards?

APPENDIX I: BACKGROUND TO THE FOUR FOUNDERS

E. David Anstee

BCom (Melbourne), MBA (London Business School)

David has four years of experience in equity raising and corporate finance with Merrill Lynch Australia. He spent his summer break working with Arts Alliance, a London-based venture capitalist, vetting business plans, meeting portfolio companies and working on a business plan under a scholarship scheme. With a focus on entrepreneurial studies both at London Business School and while on exchange to the Haas School of Business at UC Berkely, David is responsible for the financial performance of the company, German operations and investor relations.

1997–99	London Business School
1995–97	<i>Travel, National Geographic</i>
1991–95	Merrill Lynch Australia
1994–99	<i>3D World</i> newspaper, Sydney

Francesco Benincasa

BSc (Cardiff), IOD

As managing director and founder of the Chameleon Group, Francesco has worked in web communications and strategic planning since 1995. He has delivered pioneering web strategies to McKinsey Consulting, the BBC, NCR, Evolution Consulting, McGregor Boyall and TrustWorks. Francesco's responsibilities include online marketing, relationships with key partners, and white label integration.

1995–99	Managing Director of Chameleon Strategic reviews for BBC, BT, Dixons. Online branding for Freeserve
1992	RAF Officer Cadet Pilot
1989–92	BSc Hons University of Wales

Nicholas Komninos

BA, BAS (Penn), MBA (London Business School)

Prior to his MBA, Nicholas was a Flight Sergeant for the Hellenic Air Force, dealing extensively with HR-related issues, and Account Executive for OgilvyOne advertising where he planned, conducted and evaluated international marketing campaigns. He has an academic background in psychology and practical experience in designing HRM systems during his summer internship at Qualco Management Consultants. Nicholas was one of the co-founders of a private tutoring service for the students of the American College of Greece. He is responsible for maintaining the fast growth of ihavemoved.com as marketing director and human resources manager.

1997–99	London Business School
1999	Qualco Consultants
1995–97	OgilvyOne Worldwide, Athens
1989–93	University of Pennsylvania USA BA in computer science and psychology

Onic Palandjian

BSc (Bentley), Bus. Admin. (Harvard)

With experience as a venture capital executive in the US, Onic has evaluated and refined the business models of a variety of internet and e-commerce enterprises. He has conducted business in the former Soviet Union under uncertain and difficult circumstances, and worked on the financial and operational areas of a global shipping company. Onic works on securing partners and alliances for ihavemoved.com, as well as the commercial offering.

1998–99	Eagle Venture Capital USA
1996–98	Dorian Ships, Piraeus and USA
1992–95	John Hancock Financial USA
1994–95	Harvard Extension School
1989–92	BSc, Bentley College USA

