

Texas TechPulse
Interview with Larry Upton, Ediomia
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We recently ran into Larry Upton, founder and CEO of Ediomia (www.edioma.com), an Austin-based company which has developed a mobile service which teaches English to Spanish speakers. We were interested in how the company started and why Larry decided to take on this market, so we spoke to him last week.

What's the story behind the company, and how does the service work?

Larry Upton: Ediomia was founded 17-18 months ago. We are a group of experience mobile UI and content developers. Our background ranges from having done UI at AT&T and Vodafone, ESPN Mobile, and Disney Mobile, back in the days when we were employed by Frog Design. We spun out of Frog Design two years ago to create our own media and design firm. Necessity being the mother of invention, the firm was founded on firsthand experience I had with Hispanic day laborers in Austin.

I was building a home, and working with the day laborers who were doing the stone and tile in my house, I got to know these guys well. There was a grandfather, two sons, and a father doing the masonry from Michoacan state in Mexico. They migrated out here to build a business. There are lots of folks like them, who are here for one reason, and one reason only--to make a living, and send the majority of what they earn back to support their family. They got to my heart, and got to know these guys and their daily lives, and I quickly realized they face some challenges we just don't have here in the U.S. One is the traditional way of accessing content - they typically don't have Internet access at home. They can't afford the \$600 computer or a laptop, or \$40 to \$50 a month for WiFi or a broadband connection, and they don't have the disposable time and income. They're working 14 to 15 hours a day, and when they go home they might relax and have a beer and then go to sleep so they can get up at 6 to go back to work.

They face lots of challenges learning English and assimilating with us. As you know, there are lots of language materials out there--from Berlitz and others--where you can pay \$400 or \$500 for a DVD or CD. However, those tend to focus on mechanics -- verbs, conjugation, grammar, and things of that nature. For someone learning a secondary language, without a lot of disposable time, it's not a very effective method of learning English. What we did, is put together a study along with the San Antonio research firm Galloway Research, and interviewed 9000 Hispanic mobile subscribers, in Rio Grande, San Antonio, Houston, and Dallas. We winnowed that down to 300 who we interviewed in a 45 minute interview--we asked them questions like what languages they spoke at night, what kind of mobile phones they owned, and our target question--if they would be interested in learning English over their mobile phone. It blew us out of the water. 92 percent of them wanted to learn better English, and 72 percent said they wanted to do so using their mobile phone. 50 percent of them were willing to pay \$20 a month or more to do so. At that point, we knew we were on to it.

It was a matter of content and delivery, not demand. We went back to the team, and went to the drawing board. We created something for people who are not interested in conjugating verbs, but are interested in learning. We quickly surmised that they were interested in everything based on getting a job, keeping a job, and advancing in that job. What we did is to provide content silos situational in nature. On the work site--going to the bank--housecleaning--lawn care--in the emergency room--everything for a demographic that is unable to communicate, and what they need in terms of survival phraseology.

We have 12 kits, each of which has fifty phrases and fifty to 100 vocabulary terms. It's delivered as a J2ME application, which is compatible with roughly 80 percent of phones. It's initially free, and includes an upsell for the work kits. If you like it, you can purchase additional kits for \$1.99 for

each upgrade. It's not dependent on data service or WAP, because the majority of folks don't subscribe to data service.

How are you distributing the application?

We are initially distributing with the MVNO Movida, which is a Sprint-based MVNO. They sell through Walmart, Sam's Club, Costco, and others. Our second agreement is with Austin-based Fusion Mobile, which is an MVNE -- a mobile virtual network enabler. They are a white label for brand retailers. For example, if Safeway wants to own its own brand, they can work with Fusion. The Tier 1 carriers we are working with are Sprint and AT&T. Together those carriers represent 20 million Hispanic subscribers, and we're excited about those partnerships.

The underpinning of the entire model is mobile advertising. The major consumer packaged goods companies -- such as Coca Cola, Proctor and Gamble, and Frito Lay--are desperate to get in front of this demographic, which is the fastest growing in the U.S. They are heavy purchasers of both online and mobile. CPGs know this, and are struggling to get information to them. We are looking to build a subscriber base for CPG sponsored products.

Is the service available now?

Larry Upton: This will be available on April first from Movita, on May first from Sprint, and some time in June from AT&T.

Is this an on-deck or off-deck application?

Larry Upton: It's on-deck, placed on the Hispanic media deck for the carriers.

What made you decide to go from consulting to focus fully on this application?

Larry Upton: As we did the business case, what we quickly realized, is there is a complete dearth of bilingual edutainment. There are the Tetris, brick breakers, and Bejeweled's of the world, but they don't teach you anything. The Hispanic market sees themselves Latino by nature, and they want something more culturally relevant. So our topics are all the things they focus on -- soccer, the Lotteria, and other games they might or might not have had experience with in their home or native country. All of them are engaging to them. We're also looking at advertising. Unlike a ringtone or wallpaper, which are one time transactions, one you download them you use the product, but to advertisers it doesn't carry much weight. Education, by its very nature, also helps in demographic profiling. If you download this at your worksite, odds are you are an 18-40 year old male, and we know which languages you speak. We also know where you live, whether it's the 512 or 805 or 408 area code, and whether you go to Home Depot or Lowe's. Gender and location is one of marketing's four golden identifiers. We know that mobile advertising is nascent, and we're focused on building engaging content for the Hispanic demographic, and building a subscriber base, which we think will be interested to the mobile marketing folks in 10 to 14 months.

So right now you charge for the service?

Larry Upton: That's more of a necessity. Tier 1 carriers like At&T and Sprint don't allow you to download free content, and they want to see rev share for any download from their deck. So, you must charge something for the download. We wanted to keep it at 50% of what you would pay for a game, which is typically \$4.99, and so we're going out the door at \$1.99, with other efforts subsidized by advertising. This is equally compelling for Latin America, and we're working with media groups. We're working with Grupo Cisneros out of Venezuela--which is equivalent to Rupert Murdoch's News Corp--they are doing very little on mobile, and they have asked us to work with their properties to take their educational content and broadcasting it over mobile phones, over the next six months.

You'd think someone would have approached this market in Latin America already?

Larry Upton: You would. But, what they've defaulted to is the mind numbing brick breaker and sports games. There are some doing mobile games, but none are bilingual in nature, and none are focused on education. That's our secret sauce.

Have you looked at other bilingual demographics? It seems like there's a lot of opportunity here.

Larry Upton: There are equally large, if not larger, populations in China and India. We're going to prove out our business model in the US sometime in Q2 and Q2, and will go lateral in China and India. It's a very, very similar demographic--lower end handsets, wanting to learn English, and very few have computers at home.