

Four Million Virtual Friends

# The unstoppable rise of eBuddy

For once there's a successful internet company from Holland and we've never heard of them. The web-based chat site of eBuddy is a global force to be reckoned with. 'At a party all my cousins seem to know eBuddy, whereas the uncles ask: "Chat what is that?"'. By **Maaïke Bos** Photographer **Roger Cremers**.

Just moments before a conference they quickly print a thousand napkins with the eBuddy logo, which is then discretely placed by the buffet. Or they change all the cups with eBuddy mugs, before the sponsors know what's happened. Such tactics cost only a fraction of the real sponsor budget, but before you know it, their name has appeared yet again. 'Now we can do things like this' says co-founder Jan-Joost Rueb. 'I learnt these tricks in America, where all the start-ups do this. If we get bigger, we won't be able to this anymore'.

A phase nearing the horizons as this company is taking off. Since Monday the 20 developers and sales staff no longer sit back to back in a hot attic, their new home is an eye-catching office right alongside the canals with high ceilings and a garden. Monthly 4 million (registered and new users) log on to [www.ebuddy.com](http://www.ebuddy.com) to chat through MSN, Yahoo or AOL, without having to install software on their computer. Daily there are between 50,000

to 100,000 new visitors. This makes eBuddy a worldwide leader in web-based messaging, the only other competitor, Meebo in America, draws only 1/3 of this amount monthly.

## Sexy Start-up

eBuddy (back then eMessenger) was born 2 years ago. In the lawyer office Bohler Franken Koppe Wijngaarden on the Keizersgracht in Amsterdam, a small attic space was good enough for business graduate Jan-Joost Rueb (34) and economist Onno Bakker (37); they wanted to see if they could turn an idea from befriended software developer Paulo Taylor (29) into a profitable business.

Rueb and Bakker knew each other from their internships at IBM in 1995. After working for Heineken, Rueb spent 6 years working in America for internet start-ups. ('There they think it's sexy to work for a start-up, here everyone goes for the big names') Bakker was looking forward to something new when his employer Xoop went up in

Tiscali. While spending time together with Rueb in New York, Tiscali colleague Paulo Taylor was brewing up an invention in Holland.

Bakker 'He made a bet that he could get MSN Messenger to work on his old cell phone. That worked out pretty good. On web news group, someone suggested, why not do the same on a web browser?' He wrote software for direct use on the internet instead of the pc and put this live on his own UCP-internet connection. Within a few days, the line went skyrocketing, that's how many times it was used. He rented a few servers in America (Rueb snaps his fingers, to show just how easy it is over there), and earned some extra cash in the evenings with goggle-advertisements.

Rueb and Bakker returned to Holland and *in between jobs*, saw an opportunity in the idea. They decided to found a company based on this web-chat application. On May the 1<sup>st</sup> 2004, they registered at the Chamber of Commerce. Taylor

would be the programmer, at night whilst working day time for Tiscali, Rueb would oversee an increase in revenue through online advertisements, and Bakker would ensure the right infrastructure to make the service 'scalable' to handle and manage an increase in chatters.

Developer Paulo now works fulltime, at Schiphol there are a hundred servers, and worldwide there are more than 32 million registered users (40 percent in Europe, 35 percent in South-America, 10 percent in Asia, 15 percent in America & Canada). In Holland around 3 million people use instant messaging through eBuddy; they frequently chat with a select group of people on their list. 'Its funny that were not well known' says Rueb. 'At a party all my cousins seem to know eBuddy, whereas the uncles ask: "Chat what is that" 'And how do you plan to make money?' 'In the meantime were in America sitting around the table with big Venture Capitalists'.

### Things are going quiet well

The product is not tangible, the business operates completely virtual. So what's the value after 2 years? 'We're profitable, through advertisements' says Rueb. 'We've proven that our business model works'. You can compare it with free newspapers or *Intermediar*, they operate on advertisements as well. Mention of the actual profit numbers are not disclosed, but the indicators do suggest they make a profit big enough to cover the hundred thousand euro monthly expenses.

Western companies, on average pay around 2 euro per thousand impressions (number of times a webpage is shown with their banner on it), in Brazil and China, advertisers pay less, coinciding with local purchasing power. With around 760 million banner impressions monthly, things are going quiet well.

For advertisers, the online database of users is interesting. Now we store the login name and we can see which country they are from and how long they are logged in. This will be expanded, by stimulating users to provide more information, in exchange for prizes, for example, a scooter.

With this data, it can be measured when and with whom certain advertisements work best. Commercial director Rueb. 'If you login three times in a different country, the system will recognize you as a 'traveler' and you'll receive extra flight ticket advertisements on your page. Ultimately we want topon advertisements just for girls and aftershave advertisements for men. An advertiser for driving licenses wanted to advertise to young people between 17,5 and 18 years old. That's possible with us'. Because the advertisers in Brazil and China are different, eBuddy has contracts running with more than 20 top ranking media agencies across the world.

### Serious Business

The bigger the chat community, the more variable the user data, thus the more interesting for advertisers. That sounds logical, but why would web-based chatting become *the* communication form? Avoiding software installation has its advantages for your pc. It's ideal for school kids, who can now chat discretely during there computer hours at school, where MSN is not installed.

At home it saves hard-disk space and makes installation of newer versions obsolete. And it's handy for at work, where system administrators inhibit the installation of new software, to protect the computers against viruses.

In the meantime, chat has no longer become a joke during work time. The use of chat is growing and changing, as often

occurs with new communication means: first there tested for private use by often younger generations soon after being introduced to the professional users. A growing number of companies are using chat as *the* tool for internal communications. Including Jan-Joost Rueb as it turns out, after he singles someone to bring some coffee. 'A phone call disrupts your activities and requires your full attention, you likely read mail later at night. Instant messaging is right in between', says Onno Bakker. 'You can consult with a couple of colleagues at the same time, where you would like to meet up'. Besides, Onno Bakker tells '5 million Dutch, of which 95 percent youth, use MSN, they'll never stop using it from now on. If they go to work over 5 years, all the companies will need to have instant messaging in house. We have developed the infrastructure for this already'.

In reaction to new chat sites MSN has its own web messenger service

[www.webmessenger.msn.com](http://www.webmessenger.msn.com), with only the 'basic features' compared to the fully featured downloadable version. Rueb 'We have all the features available on the internet'. 'MSN knows that the eBuddy visitors don't see the original MSN page and advertisements, but there no agreements about this yet'. 'We take away traffic from them, but at the same time we draw more users to them' says Rueb. 'On the other side of the line there is someone using for example MSN'. In the mean time there are talks between Seattle and Amsterdam. Content wise, Rueb does not disclose this information, as agreed with MSN. Further this week, talks with Yahoo in San Hose California are scheduled.

For eBuddy the time is ripe for big steps. Since recently it has been providing mobile chatting as a replacement for text messaging. '20 lines of text

through sms costs around 2 euro's, mobile chat can soon be done for just 2 euro's a month'. They expect to sell there web applications under 'white label' to friend networks (for example Hyves) or companies such as Coca-Cola and TMF, who want to offer web-based chat services under there own brand name. The last half year they have been searching for an investor in America, this has succeeded. Half way August, they will announce who and how much money is involved, for now Rueb only wants to hint that this amount runs in the 'millions'. Fifty thousand euro's alone has been reserved to purchase the top-100 newest mobile phones to test all mobile applications.

### **Sandwiches with Peanut butter**

It hasn't always been this easy, 'In the beginning we had to eat sandwiches with peanut butter' says Rueb. 'In the first year we paid no wages to ourselves. Now we do, but it remains hard work. If you don't pay attention for 2 days, there's someone else who's got new features which you don't have. 'We don't go away for more than 1 week, and we always maintain contact'. 'My girlfriend grants me half an hour a day online time' says Rueb.

There's one issue which is really on there minds; there looking for the right people, but can't seem to find these. 'Here in Holland, everyone wants to work for

Unilever or Shell, at a startup you can do so much more. An internship is currently 3 months in San Francisco for us, isn't that cool? In America, the best students of Stanford University, are lining up for such an opportunity. Besides, over there, they don't have notice periods of several months. Our competitor Meebo, can grow faster because they are not bound to these Dutch labor laws'.

eBuddy has a head start in the mobile telephone market in Europe. If they bet on the right path things can go fast. The new office building on the Keizersgracht with 670 square meters of space, has been rented to accommodate growth.