

ZfTM-Work in Progress Nr. 33:

## **Mobile business start-ups in Germany**

**An exploration of the start-up scene and of corporate venture capital firms'  
views on business success drivers and inhibitors**

Torsten J. Gerpott<sup>\*</sup>/Christian Niegel<sup>\*\*</sup>

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<sup>\*</sup> Univ.-Prof. Dr. Torsten J. Gerpott, Lehrstuhl Planung & Organisation, Schwerpunkt Telekommunikationswirtschaft, Gerhard-Mercator-Universität Duisburg, Lotharstr. 65, 47057 Duisburg.

<sup>\*\*</sup> Dipl.-Kfm. Christian Niegel, Arthur D. Little GmbH, Martin-Luther-Platz 26, 40212 Düsseldorf.



## Work in Progress

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### Kontakt:

Förderkreis Zentrum für Telekommunikations- und Medienwirtschaft e.V.  
Eichendorffstr. 20a  
40885 Ratingen-Lintorf  
Tel: 0203-3793109  
Fax: 0203-3792656  
Internet: [www.zf-tm.de](http://www.zf-tm.de)  
Email: [kontakt@zf-tm.de](mailto:kontakt@zf-tm.de)



## **Abstract**

The purpose of the article is to provide a first exploration of success drivers and inhibitors of mobile business start-ups in Germany. Based on this objective we reviewed various written sources and interviewed specialised venture capital managers. This led to the identification of about 50 m-business start-ups in Germany. Most of these new ventures address business rather than residential customers. Our preliminary analysis suggested nine general hypotheses on internal success factors likely to be of particular importance for m-business start-ups. Among these factors were the pursuance of a focussed differentiation and pioneering market entry strategy or the ability to adapt services to the variety of mobile devices in the market. Young m-business ventures follow different business models (e.g. application infrastructure provision, application service provision or mobile portal operation), which possess model-specific success drivers or inhibitors. Further, more long-term research with larger samples is needed to validate and to specify the article's rather general hypotheses on success factors of German m-business ventures.

**Key Words:** Start-up, success factors, m-commerce, m-business, mobile internet, mobile online media



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## 1. Introduction

Market researchers forecast that mobile internet services in Germany will experience explosive growth and will have reached thirteen billion Euro in revenues by 2005 (EITO 2002, p. 237). Established companies both from the telecommunications and from related information technology, e-business or media industries address this market. In addition, companies from many other industries embrace m-business as a means to increase their operational efficiency or to enhance their online media presence by the possibilities of mobile data access.

To date, about fifty m-business start-ups are operating in Germany and take on the challenge of competing with established companies. Reflecting the characteristics of the mobile industry, we analyse drivers and inhibitors of the mid-term success potential of these start-ups and address three main questions:

- To what extent are m-business start-ups active in Germany and what business models do they pursue?
- What factors seem to be critical for the success potential of m-business start-ups?
- How do critical success factors of m-business start-ups vary between different pursued business models?

The article first provides a description of different business models pursued by m-business start-ups. Second, we review the notion of critical factors driving or inhibiting new venture success in the entrepreneurial research literature as a conceptual anchor for our own exploratory work. Third, we interpret the impact of environmental variables on the mid-term success potential of m-business start-ups. We then analyse internal success factors regarding m-business start-ups in general and specific business models in particular. Lastly, we propose initial hypotheses on internal success factors based on our exploratory analysis.

## 2. M-business start-ups: Definition and business models

The term mobile business is frequently used with varying meanings. We define mobile business, in short m-business, as the

- use of data- or multimedia-services (apart from sheer bi-directional voice-services) in public mobile telecommunication networks
- in order to prepare, agree and/or realise business transactions
- between market players such as companies or public institutions (B2B-market), within companies or public institutions (intra-organisational market) or between companies or public institutions and mobile subscribers (B2C-market) (Gerpott 2002, p. 51).

From this definition follows that mobile business start-ups can be characterised as companies that meet the following criteria (Nicolai & Petersmann 2002, pp. 99-100):

- The founding of the start-up was motivated by perceived opportunities in the m-business arena. e-commerce start-ups such as Yahoo! or ebay, that enhanced their service portfolio by m-business services or that added the possibility of accessing their services via the mobile channel, are therefore not classified as m-business start-ups;
- the majority of the company's equity is not held by an established shareholder so that subsidiaries of larger diversified corporations are excluded from our definition;
- the company was founded not more than eight years ago, which is the age limit for new ventures used by authors such as Biggadike (1979) or Miller and Camp (1985) to distinguish 'new' from more established ventures.

The mobile data communications value chain as illustrated in figure 1 serves as a starting point to further differentiate various types of m-business start-ups.

While start-ups are active in each of the depicted value chain segments to varying extents (Borowicz & Scherm 2002, p. 67), our analysis focusses on start-ups that are active in the value chain segments

- application infrastructure provision and application development,
- application service provision,
- mobile portal operation
- and mobile payment provision.