

# Business that began as a joke

## Entrepreneurship

The habit of e-mailing witticisms to friends led to Buongiorno, an Italian company atypical in its global outlook, says Rachel Sanderson

Parma, the foodie Italian town in Emilia Romagna, is famed for its prosciutto ham and Parmesan cheese, is one of the best examples of how Italian entrepreneurs have turned the fruits of their daily lives into successful businesses.

Parmalat, the multinational dairy company, was founded here. Barilla, the pasta maker, is located just up the road. So are Ferrari and Max Mara. The region is one of the richest in the country.

Yet on one of Parma's cobbled streets in a converted convent is a very different business from the usual "Made in Italy" cliché of food, fashion and fast cars. Here you will find Buongiorno, a mobile internet company, which does business with 130 telecom operators in 57 countries.

With the iMac computers and jugs of freshly squeezed orange juice on their boardroom table, company founder Mauro Del Rio, chief executive Andrea Casalini and the multi-lingual team of engineers could be in Silicon Valley. Except that above them there are 17th-century frescoes on the vaulted ceilings.

Mr Casalini, who like many of the company's core management team

**"We all worked long hours from the beginning but these are relationships that go back to school"**

hails from Parma or the nearby area, calls it "the perfect mix of back to roots and internationalism".

"There is something good about the energy and about how the way we work supports the wellness of the environment," says the 49-year-old, kicking back in a sleek modern chair.

Buongiorno's traditional business is based on a monthly fee paid by telecoms operators in return for the Italian company's efforts to push content like ringtones, games and graphics to 9m users of traditional mobile "feature" phones.

It also has a business-to-consumer mobile marketing unit and an online gaming development business. With the advent of cloud computing and smartphones, its main challenge is developing mobile payment systems and cloud applications. In 2010, 90 per cent of its €253m revenues came from outside Italy. A close competitor is Motricity in the US.

But it did not start this way. The seeds of the business and its name ("good morning" in Italian) were sown in 1995 when Mr Del Rio, who was then working at Accenture but wanted to work for himself, had the idea of sending a joke via e-mail and then by text to 12 of his friends for them to enjoy when they woke up.

By the end of 1998, Mr Del Rio was sending his e-mail to 25,000 people in Italy. By the end of April 1999, he had 50,000 subscribers. No longer limited to jokes, Mr Del Rio was sending listings of music, cinema times, shop openings, classical concerts and sports events.

The first shot of seed investment equal to €120,000 came in late 1999 after word spread among friends at Accenture and from the Parma area. Mr Casalini was among the first



Parma partners: Andrea Casalini (left) and Mauro Del Rio say their location in the Emilia Romagna region (top right) is instrumental to their success

Ropi

## Biotech buddies

Buongiorno is not the only Italian start-up to obtain early funding from the wider entrepreneurial community. As bank loans become harder to secure, established entrepreneurs have become increasingly important in supporting new business ideas.

Examples of investments in ventures that encompass classic "Made in Italy" qualities of design and manufacturing are more common, but one funding model that reaches further is in the biotech industry. Genextra was created in 2004 by a group of prominent Italian entrepreneurs and financial institutions in partnership with leading scientists from the European Institute of Oncology with the aim of commercialising scientific discoveries. Led by Francesco Micheli, a well-known Italian banker, among the entrepreneurs are Diego Della Valle, the luxury goods tycoon, Luca Montezemolo, chief executive of Ferrari, and Marco Tronchetti Provera, chairman of Pirelli.

To date, Genextra has raised nearly €100m (\$142m). Recently, one of its core investments, Intercept Pharmaceuticals, signed a licensing agreement with Dainippon Sumitomo Pharma for a drug for chronic liver disease.

investors, and soon became employee number two.

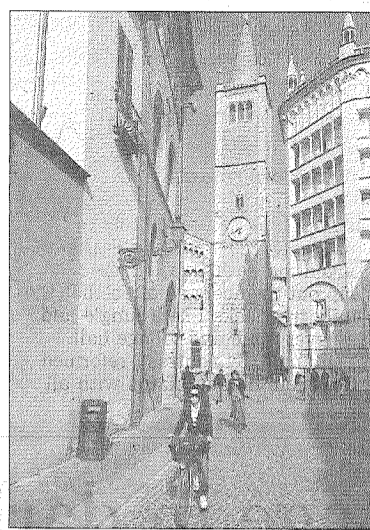
Mr Del Rio raised a further €4m in February 2000 with an increase in share capital. Again, local entrepreneurs from Parma and surrounding cities in Emilia Romagna took part. This time, funding came from some of the region's most famous family groups including Barilla, the Marzotti family behind Max Mara and Chiesa pharmaceuticals.

By the end of 2000, Buongiorno had offices in London, Paris and Madrid with 10 people in each of them. It now employs more than 1,000 people.

Recounting these early years, the 47-year-old Mr Del Rio says that "going to 25,000 [subscribers] so quickly almost provoked a family crisis" because of the strain on his personal resources.

But unusually for an Italian entrepreneur, many of whom remain provincial and private in order to keep control within the family, he has pursued a global strategy and a listing through organic growth and key acquisitions in Italy, Spain, the Netherlands, the US, China and Japan. He now spends much of his time travelling between Parma and New Delhi following a deal with IBM in India.

The turning point came in 2003 when Buongiorno listed on the Milan stock exchange as a result of a reverse takeover of Italian user-generated music aggregator Vitaminic, a pioneer



of online music downloading. Mr Del Rio held on to only a 20 per cent stake. "From the beginning, I wanted to be international and part of something bigger," he says. Buongiorno's most recent acquisition was in June when it bought out European rival Dada.net.

Both Mr Del Rio and Mr Casalini agree that the relationship between the founders has been one of "the greatest ingredients of success".

While Mr Del Rio and Mr Casalini met as adults, some of the core management team were old friends. "We all worked long hours from the beginning but some of these are relationships that go back to school. This creates an intimate relationship but we've also been very careful to maintain a highly professional position in everything we do," says Mr Casalini. "From very early on we did formal performance reviews, for example."

The quality of life offered by the company has also helped attract bright graduates. In Italy, keeping talented graduates has an extra significance: the *fuga dei cervelli* - brain drain - has become hard to stem in the past decade as Italy's economic growth has stagnated and a ruling gerontocracy has left little room for ambitious youth. It is partly for this reason that supranational organisations such as the International Monetary Fund have said tech start-ups are vital to Italy's economic future.

Mr Casalini says Buongiorno has tried to offer a flexibility that is unusual in Italian companies. It recently opened an office in Shoreditch, London, and has been sending engineers from Parma who want to go. A married couple who worked in Parma and decided they wanted to move to Australia were given the task of setting up Buongiorno there.

Nonetheless, being in Italy has had its downside. Mr Casalini's upbeat demeanour vanishes for a moment. "We haven't got a lot of interest from the financial markets in the past couple years. We don't think the market is recognising the value of the company," he says. "We hope that people will see the value in the longer term."

It is a common complaint from Italy's small and medium-sized enterprises. Mr Casalini argues that cost cuts at investment banks have hit European small- and mid-caps as banks have cut back staffing.

Mediobanca, a Milanese bank, recently noted that Buongiorno shares were trading at almost a 50 per cent discount compared to peers with similar business that are listed on bigger exchanges.

But while delisting from the Milan bourse has become a trend among many Italian small and mid-sized companies that have found the rewards of listing offset by the costs of quarterly reporting, Mr Del Rio dismisses the idea with a familiar refrain: "I always wanted to be part of something that was bigger."