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The MEEEX Experience (Hungary)

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THE MEEEX EXPERIENCE

Introduction

On a cloudy spring morning in 2010 Balázs Szabo and Dani Varga, the two founders of MEEEX (Hungarian University Students Extreme Sport Association), sat in their modern rented office in the centre of Budapest and talked with Peter Czuczor about their plans for the future of their business. Their company was very popular and had become well-known for the organisation of extreme sport events. However, despite this success, the founders still did not have a single cent in their own pocket. Until now they had been able to involve thousands of university students in a unique mixture of extreme sport events and music festivals, and they even had an abundance of new ideas for additional opportunities. But what they did not have was a clear strategy for transforming MEEEX into a financially successful business. They had to find a solution and soon. This was a growing industry and the threat of being beaten by the competition was increasingly real. They understood that it was one thing to have good ideas but it was a totally different challenge to transform that idea into a sustainable entrepreneurial venture. For Dani and Balazs, what was initially a way to have fun and had grown as a labour of love, had now become a very demanding job involving fourteen hour days for very little money. Although most of the events were not profitable, the company had been excelling in the technical and sales areas, and soon they understood that what they lacked was the business acumen to turn MEEEX into a profitable venture. For this reason they contacted Peter to help them with their business challenge. Peter was a young man who was employed as a consultant in a Small Business Development Centre in Budapest and the founders felt that he could give them the expertise that the company was missing. Within a short space of time, Peter was invited to join the Board of the company and assist the founders in potentially growing MEEEX into a lucrative professional business. The question to him was simple: “*what should we do?*”

Company Background

The story of MEEEX began in 2005 when Dani and Balazs met in the dormitory room of their university. They had an idea to organise extreme sport events to entertain their friends. They did not just talk about it, they organised unconventional, or extreme, sport activities such as Paintball, Rafting, Climbing, Dragon Boat, Wakeboard, Skiing and Snowboarding, with the service they provided being described by the two entrepreneurs as:

“It can be anything! ...MEEEX is ready to jump with You, to climb with You!”

Balázs was an extraordinarily creative individual, while Dani was more conservative and he planned everything meticulously to avoid end-users feeling any disappointment at the end of an event. The last five years had been hectic for these budding entrepreneurs as they had obtained their University Degrees and also established their first professional business MEEEX. By the end of 2009 MEEEX had 30 thousand members, nearly 80 active organisers and in addition to the two founders they employed seven full-time staff. In reality, 2009 was a big year for the company as they organised their first Snowattack Ski and Snowboard festival, with more than 7,000 applicants for 2,700 places. They had become the market leaders due to the numbers in attendance at these events and their performance had surpassed all leading travel agencies in Hungary. In the winter season of 2008/2009 MEEEX organised six winter camps and one festival, serving over 6,000 clients. After the initial success the two entrepreneurs expected some profit, but this did not materialise in 2009.

When Peter joined the company in early 2010 he could not understand how after four years of operation that MEEEX did not have a dedicated person in position to be accountable for the company’s finances. Dani and Balazs did not know how much they earned (they were not taking a salary from the business), they did not know how much they owed to subcontractors, and how much money their employees received. They rented a large design office that was oversized and too expensive for the company’s actual needs. They had also hired a small warehouse fully packed with event equipment such as countless paintball guns, indoor climbing wall, beach flags, X-box consoles, Hockey sticks, costumes, promotional materials, LCD TVs and so on. Yet, the company did not keep or maintain any inventory records. The estimated turnover of MEEEX in 2005 was estimated at €1m and in year 2008 approximately €2m. MEEEX also had no programme in place for the planning of any future events. In short, they had no strategic vision for the company including a programme of events for the upcoming year.

Peter started to work immediately and persuaded Balazs and Dani to prepare a long-term strategy and a budget plan for the next three years. He thought there was a huge opportunity in the MEEEX venture. Balazs had a long list of potential projects in his mind, however they had virtually no money and not enough people to implement these ideas, *“Unfortunately, I was only dreaming about it,”* Balazs admitted. Peter started to gather all the data that they had

available from past events, and together with the two entrepreneurs he reconstructed the story of the company up to that time with the objective of collecting useful information to start the writing of a detailed business plan.

The Entrepreneurial Idea

Dani and Balazs told Peter how they had started their business from a simple idea, which was centred on the organisation of winter music festivals in connection with ski practice and winter holidays. With the only exception of ‘Snowbombing’ in the UK created by the British company Outgoing Ltd., nobody was organising the larger ski/music events in Europe. To illustrate, Outgoing Ltd. had approximately 3,000 participants attending one of the best ski resorts in Mayerhofen, Austria. The tickets sold out fast at the University of Manchester, well before the event. Balazs thought he would contact them to decipher if they would be a competitor in the European market. It was clear from the response he received from Outgoing Ltd that it was not their intention to sell tickets outside of England and Japan. In February 2009 MEEEX organised its first large-scale event, the first Snowattack ski and snowboard festival in Puy Saint Vincent, France. With 2,700 participants, all of them travelling from Hungary, the event was a big success. The founders attributed this to the customer they were targeting. The participants were primarily university students who were interested in attending the event because they wanted to “*combine travelling with a party atmosphere, “while practicing winter sports”*”. This type of customer also had the disposable income to purchase this service. Balazs explains:

“We do not want to compete on price, we want to offer the best experience, which you’ll never forget!”

After listening to the two entrepreneurs’ story, Peter soon realized that MEEEX did not have an explicit mission statement. Neither Dani nor Balazs had any idea where they wanted to be in the next five years and what they wanted to achieve during that time. As a starting point, Peter suggested that they identify in advance the expected business results and to convert them into economic performances. However, first they had to link the business objectives with a clear business mission.

The Market

Dani and Balazs informed Peter that during the initiation and the start-up phase of the business they had observed, and learned from, competitors. Other players in the industry like CMT or Outgoing Ltd. were extremely profitable (over 25 percent profitability in 2009).

Balazs personally visited the Snowbombing event and found out that Outgoing Ltd. was very well organised in terms of administration, communication, information packages and logistics. Balazs said:

“If we are doing just a little worse than Outgoing, I can buy my first Ferrari very soon...”

From his observation of the British market, Balazs discovered an event that could be reproduced and adapted to the Hungarian market, London Freeze. Balazs and Dani visited the event in London and returned to Budapest with the hope that they could replicate this event. As a result, they established a plan for Budapest Freeze and the event attracted considerable attention and corporate sponsorship. After the disappointing economic performance of 2009, the two entrepreneurs further realized that MEEEX not only had to improve in the organisation of Winter events, but that they could leverage the company’s assets to enter a new market segment and host summer events. However, the two entrepreneurs were unsure about how to establish a presence in the summer market of extreme sporting events.

Promotional Strategy

MEEEX had an established track record for success (and in particular for product/service quality) of winter extreme sports. Now Balazs and Dani were tasked with finding effective ways to inform its target market about the availability of new products or services. Consumers might need to be persuaded that MEEEX was delivering something desirable and unique. Balazs and Dani did not know the best way to reach customers but they knew what they needed to do. They needed to effectively target groups of customers but they were unsure of what communication channels they should use. Peter asked Dani and Balazs what marketing approach they used previously, what methods had been successful and what the entrepreneurs had learned from the market reactions. Both entrepreneurs were hoarding a wealth of documented information. Dani stated:

“We record all of our activity as guerrilla videos, people want to watch them several times if they are cool, and flashy! One participant brings another two! Would you like to go to a camp where all your friends are going, or look for something else?”

From listening to Dani and Balazs describe their in-depth knowledge of the business and of the customer, Peter was able to distil their thoughts into a market proposition MEEEX organised rather unconventional events. The company clearly targeted a young audience and a particular category of people who paid lot of attention, not only to the intrinsic characteristics of a product but also to the way the company communicated its products and services. It

appeared the market reacted to the company offering favourably if promotional campaigns were:

- Informal in nature,
- If the message was humorous,
- If the message used unconventional communication means such as online videos and peer-to-peer social networking among members of young, urban ‘tribes’,
- If the message had fashionable or high profile symbols, icons and slogans that help ‘cool’ individuals to find their ‘tribes’,
- If the proposition led them to think they could have fun together and meet people.

Figure 1: The SnowAttack Stickers Campaign



Peter was highly impressed with how the MEEEX employees and entrepreneurs had been able to develop creative promotional campaigns, taking into account both the peculiar characteristics of their intended audience as well as the limited budget available for marketing. For instance, in September 2008, when classes started in every university, MEEEX members went to classrooms fully dressed with ski jacket, boots, helmets, glasses and snowboards, and slid down the stairs of auditoriums¹. The students were not informed about what the MEEEX employees were doing; as a result, they started to gossip about it, and when they left the classroom students received a sticker at the door (See Figure 1).

People still did not know what Snowattack was, but they started to talk about it and pasted these stickers everywhere, including, lifts, toilets, corridors, and even on each other’s back for fun. Immediately after, the most viewed national television channel, TV2, became a gold

¹ Visit this videos at www.snowattack.hu under ‘guerrilla videos’ section

sponsor of the event and offered 200 TV spots as sponsorship. Consequently, MEEEX prepared an unconventional video in which a boy was sliding everywhere in the city, on trams, stairs etc. At the end of the advertisement Snowattack was presented as the first ski and snowboard festival in France, in February 2009. This generated huge interest in the event, and many other sponsors joined such as Fundango sport clothes, Nokia phones, and Allianz insurance. MEEEX was soon advertising in printed media, on street billboards and through indoor promotions at every University in the country. The marketing campaign was so effective that the event was fully booked by the end of November 2008, although more applications continued to flood into the MEEEX office on a daily basis thereafter.

As MEEEX did not have a travel agency licence, it contracted a travel agency (Campus) to manage the travel arrangements for participants. Unfortunately, Campus travel agency went bankrupt and in response to this, MEEEX opened its own travel agency. Dani said:

“I want to direct the travel agency myself, in order to control all the expenses!”

To get an official licence is not straightforward or cheap in Hungary. In Hungary to operate a travel agency the provider has to adhere to very strict regulations such as to have an office that is open to the public, the office must be managed by an employee who is qualified in tourism and who has considerable experience in the tourism sector. The agency must also have a financial guarantee of €400,000 to cover passengers in case of bankruptcy or other eventualities. Since MEEEX did not have sufficient financial capital to cover this clause, it covered the guarantee with an insurance policy that amounted to €16,000 annually.

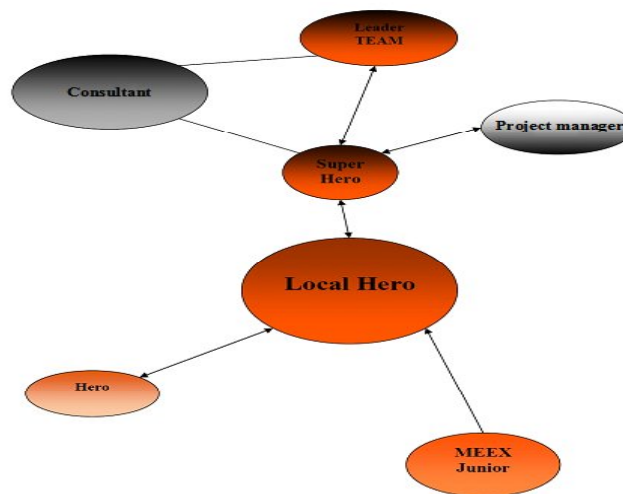
When MEEEX organised the Budapest Freeze event, Dani and Balazs found out that another, and perhaps more interesting, source of revenues was available in addition to the fees paid by the participants. Sponsorship deals could prove to be a potential revenue stream for MEEEX. A high-profile event that attracts several thousand young people would be highly attractive to companies seeking to target this market segment. The decision was made to test the water by offering a pre-organised venue and opportunity for these corporations to promote their existing products or introduce new ones. To illustrate, one of these corporations was Coca-Cola who wanted to introduce their Monster Energy Drink in Central Europe to challenge the domination of Red Bull. One of the reasons that Coca-Cola sponsored MEEEX was that the word MEEEX was the acronym for ‘Monster Energy Experience’. So, Monster Energy Drink became the sponsor for Budapest Freeze. This opened a new opportunity for the MEEEX; they now had an effective promotional channel for attracting young active students.

Soon, MEEEX was being approached by many other large international corporations to introduce new products on the Hungarian market, including, Nescafe, Nike, Microsoft and Vodafone. For Nike, MEEEX created a sports ambassador network, with a Nike representative in each university who organised sport events all year long. For Microsoft, MEEEX developed Exploreman (like Superman, except with an ‘E’ on the outfit instead of an ‘S’). This project involved individuals promoting Microsoft browsing experience over other competing software, like Mozilla Firefox, in the corridors of the Universities. In summary, working with the bigger corporations had its advantages but the founders were concerned that MEEEX could risk becoming dependent upon the big names to grow the future of MEEEX. The entrepreneurs wondered if the corporations would, in time, begin to dictate which products and services the company would offer its customers.

Establishing an Organisational Structure

Regarding the organisational structure, Peter found that MEEEX had a very unique organisational structure as it builds on local networks and fosters competition among its members (see Figure 2). Each university had an exclusive ‘MEEEX Local Hero’, who represented the organisation and there were over 300 students applying to work for MEEEX annually. Those who were accepted started as a MEEEX Junior. Through the MEEEX Local Hero network, the company advertised and sold tickets for festivals within each university in Budapest.

Figure 2: MEEEX Organisational Network and Structure



There were two ways of getting promoted to the position of Local Hero:

- Outperform the current Local Hero,
- When a Local Hero finished her/his studies, they leave the organisation and relinquish the position to the best MEEEX Junior.

Dani was keen to point out that:

“...we concentrate a lot on our active members, as two-thirds of the selling goes through them!”

MEEEX did have in place employee roles and description of duties. The responsibilities of a MEEEX Junior were:

- To adhere to the ‘10 Laws of Organising’,
- To liaise with his/her mentor,
- To maintain and utilise the company mailing list on a regular basis,
- To submit the organisers report to the mentor every two weeks,
- To participate in online and offline marketing campaigns,
- To participate in company training and information sessions.

In exchange for his/her service each MEEEX Junior gets the following Privileges:

- Basic commission on sales,
- Discounted registration fee for MEEEX events.

The position is held by one person for at least 6 months, and after this trial period MEEEX offers promotion possibilities depending on the performance of the candidate. However, if the MEEEX Junior does not meet the minimum requirements expected of someone in their position then MEEEX cancels his/her contract.

The Local Hero is supposed to be the core of the MEEEX team. To be upgraded from MEEEX Junior to Hero, the member has to collect 100 points or a special recommendation from the board. The local hero has the following responsibilities:

- To organise activities within their university,
- To act as a role model for the MEEEX Junior members,
- To adhere to the ‘10 Laws of Organising’,
- To maintain and utilise the company mailing list on a regular basis,
- To organise and participate in online and offline marketing campaigns,
- To control and manage all aspects of MEEEX events including for example, informing guests taking part in the bus trips, and providing operative assistance.

In exchange they receive the following benefits:

- Company business cards,
- Personalised MEEEX webpage,
- Increased commission levels,
- Discounts on sponsor products, including Fundango, Smith and Red Bull,
- Involvement in MEEEX design.

With approval from the Super Hero Board, the Local Hero had the right to build their own Junior Team with each case being evaluated on its own merit.

Each event had a project management team that consisted of members chosen from among the Local Heroes. Local Heroes who have performed at an outstanding level and had several years of organising experience could be promoted to Super Hero level. The HR manager had the right to appoint Super Heroes. Super Heroes were charged with the following tasks:

- Controlling and supervising the MEEEX organisational team,
- Managing the events team,
- Assembling a project management team for each project,
- Interacting with the other Super Heroes under the supervision of the HR managers,
- Supporting the Team Leader.

Super Heroes could be appointed to Project Managers who were the principal co-ordinators of the company's largest events. Project managers were fully aware of all aspects of the running of the company, they reported directly to the team leaders and/or founders of MEEEX. Both managers and project managers could be supported by a consultant, an expert recognised by MEEEX as having significant experience in a specific field. Finally, Team Leaders made up the senior management group. At present, Dani and Balazs formed this group – the organisational structure of MEEEX is lean. The two entrepreneurs have the final word on the most important strategic issues for the company.

Conclusion

By the end of their first meeting, Peter thought that MEEEX as a company was a very interesting one. He thought that the company had several promising business opportunities to explore going forward. He took many notes during the interviews with the two entrepreneurs and he noted that there were many strengths in the current business model, as well as some

areas for improvement. Undoubtedly, his first impressions needed to be substantiated with more in-depth analysis, but he thought that he had some interesting material to start with. Peter had made up his mind; he was going to propose that Balazs and Dani begin by establishing a business plan for the next three years. He felt this task would enable them to become more rational in their thinking and decision-making processes. According to some of Peter's initial estimates, the company had the potential to achieve a turnover of €4 million within a two-year period which could turn a significant profit for the entrepreneurs. Dani and Balazs were shocked with Peter's estimates, and asked how that could be possible. Peter informed them:

“There is no science able to forecast the success of a venture and no guarantee that writing a plan will bring you where you intend to go. But, do you know what the nice thing with writing a plan is? As someone said to me before, ‘no wind is perfect for those who do not know which harbour they are heading for’².”

² The quotation is from Letter to Lucilius, by the Roman philosopher Seneca

SNOWATTACK 2010



Fixed currency rate 1 EUR = 280 Ft

INCOME			COSTS		
Label	Value	Status	Label	Value	Status
Travel 3862 passenger	185,152,580 Ft	✓	Accommodation, ski passes and 40 busses	130,734,040 Ft	✓
Insurance	8,962,100 Ft	✓	Insurance	8,962,100 Ft	✓
Ski instruction	1,284,560 Ft	✓	Ski instruction	642,160 Ft	✓
Rental of ski equipment	1,860,000 Ft	✓	Rental of ski equipment	1,528,000 Ft	✓
Puy Sponsorship in kind	3,882,200 Ft	✓	Electricity and mobile toilets	2,717,400 Ft	✓
Extra ski pass sells	484,820 Ft	✓	Human resource costs	20,101,995 Ft	✓
Profit on Bars	5,266,240 Ft	✓	Sales commission	2,586,700 Ft	✓
Sponsors (OTP, Fundango, Red Bull, Nokia...)	26,939,275 Ft	✓	Artists (Djs and Bands) most of them played for free trip	2,501,200 Ft	✓
Night bus tickets	44,800 Ft	✓	Speaker animators	552,830 Ft	✓
Ski test rental	36,400 Ft	✓	Artist booking agency	601,000 Ft	✓
Poker surplus	10,878 Ft	✓	Rental of tent	8,201,788 Ft	✓
Island Festival promotion during event	1,000,000 Ft	✓	Transportation cost	3,679,200 Ft	✓
Registration fee fro ski competition	110,880 Ft	✓	Marketing costs	18,221,054 Ft	✓
Selling branded T-shirts, ski glasses, Hot-dog	171,690 Ft	✓	Security (36 people)	3,862,250 Ft	✓
	315,000 Ft	✓	Ambulance car and staff	1,046,200 Ft	✓
			Equipments for programs	1,419,328 Ft	✓

		Phone bills	597,791 Ft	✓
		Premium for best employees	748,000 Ft	✓
		Food package for VIP and Staff	4,354,560 Ft	✓
		Petrol cost for company Cars	689,880 Ft	✓
		Flight tickets for artists	1,214,077 Ft	✓
		Rental of sound technique	3,750,000 Ft	✓
		Rental of visual technique	1,442,188 Ft	✓
		Building, maintenance and repair cost of tents	1,305,000 Ft	✓
		Cleaner team (daily clean of locations)	704,100 Ft	✓
		Other unexpected costs (custom fine, invitation, free drinks..)	2,305,721 Ft	✓
		Transfer and exchange costs	314,700 Ft	✓
		Hedge cost of fixing EUR/HUF currency rate	100,000 Ft	
		Study tour (pre-visiting location)	494,430 Ft	✓
		Renting Bus parking for tour start	85,225 Ft	✓
		VIP presents, and hostesses	510,160 Ft	✓
		Prices & Awards of sport competitions	904,475 Ft	✓
		Big Air building and Winch rental	380,800 Ft	✓
		Website and reservation software development	756,875 Ft	✓
		OTP on spot promotion	625,000 Ft	✓
		Nokia dancers	611,615 Ft	✓
		University on spot promotion	712,385 Ft	✓
		Hot dog	60,365 Ft	✓
		Lost money, by employee failure	308,000 Ft	✓
		Common damage in apartments (30 fire-extinguisher was used for fun)	2,632,280 Ft	✓
		Free places for sponsors (182 people)17 208 920Ft	Included in travel cost	✓
Total income	235,521,423 Ft	Total costs	232,964,872 Ft	
			Net profit	2,556,551 Ft

