

PROJECT: TABCON 2006
FILE: TABCON 2006 Award Acceptance Speech
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Distinguished guests, TABCON organizers, ladies and gentlemen,

I am truly honored to receive this award. I would like to thank the TABCON organizers and the AirTies team who made this possible. It is particularly rewarding to be recognized by my colleagues two and a half years after my return to Turkey. I would like to take this opportunity to share with you the AirTies experience.

AirTies was formed February 2004 by a management and engineering team from Silicon Valley. Today we are close to 70 people, of which 9 members are Turks returning from Silicon Valley.

When we formed the company there was no viable source of venture capital available, although there were many firms with risk/venture in their name. The majority of these funds are really late stage private equity funds. Therefore we formed the company with \$300,000 of investment from the founders, friends and family.

In two short years AirTies has achieved the following:

1. Today we are the market share leader in ADSL modems and WLANs in Turkey with over 30% market share. Turkey is the world's fastest growing broadband market and a highly competitive market with over 90 brands fighting for market share.
2. We achieved \$4.5M USD in sales Q1 of 2006, and generated a 10% net profit.
3. Our target for 2006 is \$25Million in revenue and increase staffing to 105 professionals.
4. We have developed a VoIP gateway/modem and internet based telephone service jointly with Borusan, Koc and Dogan.
5. We are now in the process of expanding into Greece and Kazakistan
6. Our goal is to be the leader in wireless triple play (data, voice and video) in the EMEA region (Europe, Middle East and Africa).

One of our biggest sources of competitive advantage has been the application of US style business management and methodology in Turkey. What many of you in the audience would take for granted, or consider as the basics of running any business is a significant source of competitive advantage when applied in Turkey.

Every item below is a source of advantage:

1. Focus: Many Turkish firms get into unrelated business diluting resources and they lack understanding of the specific sector they are entering. Therefore they are weak competitors.

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2. Customer satisfaction/service: AirTies makes customer satisfaction one of its most important goals, we actually lose money servicing or correcting a problem a customer might have. The result is happy customers who recommend us to their friends. Many Turkish firms do not pay importance to customer satisfaction, instead inundating them with paperwork, and difficult procedures to get support or to return defective products.
3. Financial management and metrics: AirTies uses financial systems to provide key data on the health of our business, our costs, and our spending. We manage a full P&L like most US companies. Unfortunately it is common practice in Turkey to keep a dual set of books. In many companies the role of the finance department appears to be to figure out how not to pay taxes, instead of providing crucial data on running the business.
4. Teamwork and Empowerment: AirTies uses well established methods to maximize productivity from its staff. Most of our competitors are run as family or "Patron" companies, with true authority and decision making in the hands of the boss, resulting in poor decisions.
5. Quality systems and processes: Many Turkish companies lack quality systems and process management, therefore they make a lot of mistakes and are inefficient.
6. R&D: AirTies biggest strength is in the fact that it performs R&D, differentiates its products and addresses the needs of the local market. The amount of research and development that goes on in Turkey is negligible.

Let me give a few tangible examples of what we are doing as AirTies that turn the above points into specific competitive advantage:

- We offer 7 day 24 hour technical support from highly qualified AirTies technical staff. Most of our competitors offer service from a distributor person who does not know the products and is handling multiple other brands.
- We offer a 2day repair/replacement service to customers with no questions asked; our competitors take up to 30 days after an elaborate return process that involves the reseller, the distributor and the vendor.
- AirTies products are designed to withstand low voltage power grid. We found that electric power grid in Turkey regularly drops from 220Volts down to as low as 150Volts. We redesigned the power supplies, at extra cost, to withstand such a situation. Our products continue to operate while others fail.
- Increased range in concrete buildings: Wireless signals rapidly lose strength in concrete buildings. This is not an issue in the US where this technology was designed for but is a problem in Turkey and most of the EU. We developed a mesh technology to solve this problem.

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- We are constantly receiving feedback from our customers and sales channels regarding features and improvements that they would like to see and we implement them. Features range from Turkish user interfaces, to system tests, to download counters to be used with Turk Telekom's ADSL service.
- The transparent financial reporting systems have allowed us to establish \$8M USD in unsecured lines of credit at major banks. This is an unusual accomplishment for a two year old firm in Turkey.

Separately we have also received an unusually high level of support from customers, sales channels, partners, upper management and government agencies. At first we were reluctant to tell consumers that we were a Turkish company thinking that they will consider us to be low quality. Today we receive daily "Thank You" emails from customers who tell us that they are not only happy with the product but that they are proud to buy Turkish technology. It has been easy to get access to the top management of many potential partner companies as well as government agencies. Binali Yildirim (the minister in charge of telecommunications) and Tayfun Acarer (head of TK the FCC equivalent/ regulator of telecommunications) have visited AirTies.

I would also like to give a few messages to the government officials in the audience. I believe these are tangible, easy to implement actions that can improve the amount of technology development in Turkey:

1. Take advantage of the Turks in Silicon Valley. By far the biggest problem with technology development in Turkey is the lack of good management and experience in how to develop new technology products. There is a tremendous amount of experience and expertise in the Turks in the US/Silicon Valley that Turkey needs to take advantage of. China, Korea, Singapore, Taiwan and India have all put together programs to attract their native talent back to their countries.
2. There are implementation problems with the Technopark laws. For example it requires that "production" occur in the technopark. This is impractical for companies doing R&D on tangible physical products (eg telecommunication devices, modems, telephones etc) instead of a pure service or software companies.
3. There are implementation problems with government incentives such as the TTGV fund. Although TTGV provides attractive loans they also require a bank guarantee. This effectively eliminates most young and innovative companies from utilizing this incentive.

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4. Turkey needs a viable Venture Capital activity that is managed professionally. Cisco, Google, and Intel were all venture backed start ups a few years ago. The key here is to set aside a small fund that is managed not by a government agency but by a professional VC fund. China successfully implemented such a strategy. My suggestion is to take \$50M in funds and find an internationally focused VC fund to match the investment with their own funds and place the restriction that research and development be done in Turkey. There are many Turks in some of the top US Venture Capital firms.
5. Stock Options: Stock options are a critical element in motivating and rewarding employees in high tech companies. Turkish laws do not allow companies to own their stock and therefore makes the implementation of stock options very difficult. Furthermore this allows companies stock price to be manipulated on the Istanbul stock exchange, making Turkey a less attractive place for small company IPOs.
6. Dealing with the bureaucracy: For companies and management teams that do not have experience in Turkey or that desire to be 100% compliant with Turkish laws and regulations, dealing with the bureaucracy is a major challenge. I would suggest the formation of a high level "ombudsman" to help such companies navigate the system.

IN SUMMARY

I would like to thank you once again for this award. I would like to encourage the audience to take advantage of the Turkish opportunity and for the government to provide the environment for their success.

Thank You

Bülent Çelebi
CEO, AirTies