FINANCIAL TIMES

THE LAST WORD

May 3, 2012 7:41 pm

How Malaysians online are staying best Friendsters for ever

By Sarah Mishkin

Remember that early online social network, Friendster?

The site, launched in 2002, popularised social networking in the US, only to be overtaken by MySpace, founded a year later. Facebook soon swept both aside.

But Friendster lives on in Malaysia. It is one of a handful of social networks – alongside mig33, a mobile internet network popular in Indonesia, Mixi of Japan, and a slew of Chinese microblogs – that are growing in Asia by focusing on content and features that appeal to the region's young internet users.

MOL Global, one of Malaysia's most successful start-ups, is behind the reinvention of the brand that most Americans or Europeans might think is a has-been of social networks.

MOL bought Friendster for $39.5m in 2009. At that point, the network had a user database of 115m – more than 90 per cent of whom were in Asia. "Its competition took time to come into south-east Asia," says Ganesh Kumar Bangah, chief executive of MOL.

His team deleted old profiles – which consisted of things like photos and messages – but retained the user accounts. Rather than compete with Facebook, Friendster was then transformed into an online social gaming community with an emphasis on multiplayer games. "[We thought that] if we can get even 1 per cent of those registered members to become MOL members we would do pretty well," says Mr Bangah.

Before the deal, the Malaysian group had 400,000 people registered to play games on its own platform. After getting its hands on the new database, MOL expanded that number to 1.5m, plus millions of others who play on Friendster's relaunched site. The new incarnation first went live in the middle of last year, but MOL spent a few months perfecting it before holding the official relaunch party in a mall in Manila last month.

Mr Bangah founded MOL originally to develop management systems for cyber cafés.

But when he noticed the growth of online multiplayer gamers, he used its presence in cafés to collect payments from players making in-game purchases. Not all gamers in south-east Asia had access to a credit card, which left a niche for intermediaries who could convert cash into online credits.

The company's operations in this niche now include anything from distributing Facebook credits in southeast Asia and India to running networks that let buyers pay at physical terminals for goods purchased at online stores or while playing games. "We always believed that physical outlets would be important for e-commerce transactions," he says.

MOL makes money from the relaunched Friendster site by linking it to this core online payment processing business.

The privately held company says it handled $300m in transactions last year and earned net revenues of 500m ringgit ($165m). Profits before tax were about 25m ringgit. The company now has 600,000 payment points in outlets ranging from cyber cafés to 7-Elevens across more than 80 countries, but with an emphasis on south-east Asian markets. MOL's main shareholder is Malaysian billionaire Vincent Tan, whose businesses range from property development to the local franchise for McDonald's and 7-Eleven.

Daniel Cerventus, a serial entrepreneur who runs an online community for the Malaysia's techies, says the first dotcom boom saw "a lot of [regional tycoons] grabbing online properties. A lot of these didn't know how to make money, but MOL is one of the survivors."

MOL is considering a public listing – possibly in Singapore. But first, in a twist of fate, it stands to benefit handsomely from the IPO of the very company that helped seal Friendster's demise in the US. In 2010, Facebook bought some patents from Friendster's new owners in exchange for shares. Those 3.5m shares could be worth more than $100m once it goes public.

Occasionally, says Mr Bangah, people he talks with are surprised to find out that Friendster never did flame out and shut down completely. "I do get that once in a while," he says. "I just say, 'Yeah, but it's still strong in Asia'."