The path towards MVNO success
Table of contents

Synopsis ........................................................................................................................................................................ 3
Why the mobile market is such a hard-to-resist opportunity? ................................................................. 4
MVNO operational models ................................................................................................................................. 5
Enhancing revenue embracing the Mobile Virtual Network Enabler (MVNE) opportunity .. 7
MVNO business models and marketing approach ......................................................................................... 8
MVNO strategic planning .................................................................................................................................... 14
  Up-front challenges ........................................................................................................................................ 14
  Challenges whilst growing ................................................................................................................................. 16
  Cannibalization. Reality or just a myth? ............................................................................................................. 17
  Business strategy – the recipe for success ........................................................................................................ 18
Adding innovation by embracing the social media opportunity and making it an active part of the marketing strategy .......................................................................................................................... 20
Regulatory position ............................................................................................................................................. 21
Next generation MVNO – online convergent charging is the key to success ............................................ 22
The benefits of convergence ............................................................................................................................... 23
Prepaid only - Could this work? ......................................................................................................................... 23
Computaris in the MVNO landscape .................................................................................................................. 24
Conclusion ............................................................................................................................................................ 25

The path towards MVNO success
Synopsis

The MVNO market is now over a decade old and numbers more than 800 operators in Europe, America, many Asian countries and the Middle East (including nearly 200 Operator-owned MVNOs). Yet their number is expected to exceed the number of Operators by mid 2013. As a sector, the MVNO model is remarkably active with launches, buyouts and failures and many more projects in preparation. MVNO market share passed 10% in several West European countries and, despite countless unsuccessful attempts, forecasts are very promising.

In a more avant-gardist approach, some see MVNOs as the future model for the whole industry. HNOs (Host Network Operators) increasingly outsource their RAN and core network operations, as they are no longer perceived as main competitive differentiators. At the same time, more MVNOs invest in online billing and infrastructure, as they are more aware that not only competitive price, but also flexibility and fast time to market of new services could be the key to their business success and growth. In some respects the two business models seem to be converging. In the future, regulators too may choose to encourage the vertical separation of “production” and “distribution”; in a space odyssey, this would ultimately lead to the breakup of HNOs and to all mobile service providers becoming virtual.

In this paper we shall examine the current MVNO landscape, the MVNO operational and customer segmentation models, key challenges MVNOs should address before and after launch in order to enhance their success. Furthermore, we will emphasize the role of online charging capabilities to strengthen MVNOs market positions, enabling them to become serious competitors in an saturated market by flexibly and rapidly launching innovative services and service bundles, boosting their chances of serving untapped niches.
Why the mobile market is such a hard-to-resist opportunity?

Global mobile connections have reached 5.3 billion in 2010 and are expected to hit over 7.5 billion by 2015. In spite of the tough economic environment from 2008 and 2009 impacting global mobile revenues, we are now facing a slow recovery in terms of year-on-year growth worldwide with the exception of Europe. Despite data services growth in importance, global revenue growth still depends on voice revenues and appears set to remain the greatest contributor to mobile Operators’ revenues in the coming years. On the other hand, as mobile technology advances faster than ever before, the demand for bandwidth and wireless usage is increasing exponentially, therefore many opportunities are arising to exploit these types of services.

**Low CAPEX – small steps towards success** - With an appealing service model, the entry threshold for MVNOs to start their business and gradually adapt their business even with a small customer base is becoming a viable business

**Low OPEX cost base** – Lower CAPEX, reduced volumes of operational activities and limited employee numbers enable MVNOs to achieve sustainable margins with lower retail tariffs and far fewer customers than incumbents provided that they develop an auspicious business model and negotiate a favorable HNO agreement

**Integrated marketing increases customer’s lifetime value** - By focusing on specific niches, launching personalized campaigns and offering appealing content-based services or fashionable or cost effective handsets, MVNOs can leverage their brand and enhance their customer base and at the same time enjoy a lower than average customer churn rate through service personalization. Customer lifetime value might increase as MVNOs can enhance their service offering with targeted bundles and cross-selling activities. By addressing specific needs the quality of service increases and the perceived value of their product offering is maximized. In the case of incumbents, such promotions might cannibalize existing profitable customer segments.

**Maximized efficiency and gaining a competitive advantage by using brand new operational systems** – in comparison to incumbents, which have complex, cumbersome legacy systems, costly to manage and maintain, MVNOs start their business using uncluttered new systems which can give them a distinct advantage from the outset, enhancing their chances for differentiation and business optimization.

The path towards MVNO success
**MVNO operational models**

To highlight the MVNOs’ position in the mobile environment we can say that they are players who lack at least the radio network on which the virtual network is based. At a minimum this means they don’t control their own spectrum allocation or own their Radio Access Network (RAN), paying HNOs for the actual network usage.

A broad range of operational models were tested, from the lightweight “reseller” MVNO that essentially re-sells airtime bought from an HNO, through to the “thick” or “full service” MVNO that operates its own customer care, billing system and even parts of the core network.

We may also classify MVNOs according to their customer business model; MVNOs usually concentrate on a specific market segment such as low-cost, youth, business or ethnic categories.

**Thin MVNO (Reseller)** – Most of the MVNOs today are simple resellers. They usually have a well known brand and a retail infrastructure and focus on sales and on leveraging customer relationships, reselling services on margins, the pricing being agreed with the HNO. They have control over their sales processes and their marketing processes, but they usually differentiate only on pricing, brand identity and value.

The main advantages of this model are its fast time to market, low startup costs and HNO availability to embrace this model as it is not perceived as a real threat to their traditional business, enabling them to enjoy complete control over most of the MVNO’s business processes; furthermore, resellers use HNO/MVNE-provided SIM cards and the HNO maintains all customer details.

**The path towards MVNO success**
Service provider MVNO – Supplementary to the reseller, the service provider MVNOs manage all customer care processes, including the CRM, customer support, self care and billing processes from flexible account lifecycle, complex tariff bundles and packages, voice, data and SMS services. The Service provider model suits businesses with brands or service concepts that differentiate them from existing players.

Enhanced Service Provider - In addition to their own billing and customer care processes, enhanced service providers usually have their own IN or NGIN (Next Generation IN) which allows them to have complete control over their business and service offerings. The enhanced service providers usually run their own value added services platforms such as SDP, voicemail, missed call notification, collect call, roaming call back, vPBX, mVPN, prepaid. Having their own NGIN and SDP, MVNOs become serious competitors for HNO in terms of price and service offerings.

Full Infrastructure MVNO - Full infrastructure MVNOs have complete control over their service offering due to certain core network nodes such as the GMSC and HLR. Such MVNOs operate in similar way to any HNO, but without their own radio network. Full infrastructure MVNOs also have their own SMSC, MMSC and GGSN allowing full control over all the services they offer in the market and flexibility in designing and deploying new services. Full service MVNOs can have their own roaming and interconnect agreements.

In the long term, this business model might benefit all consumers and players in the market. Spectrum shortage has allowed only 3 to 5 mobile service providers to operate with a full infrastructure in a country via an expensive and prolonged licensing process. Using such advanced MVNO business models, competition will develop a healthy climate for everybody and advantages for all those involved: the newcomers, incumbents and, most of all, the end customers. The Full MVNO model suits businesses that aim to totally embrace the telecom opportunity, to differentiate through innovative services, to enhance an existing customer base and to create and grasp new markets.
Enhancing revenue embracing the Mobile Virtual Network Enabler (MVNE) opportunity

Traditionally, MVNEs were perceived as complementary players that provide the “abstraction layer” from the HNO, hiding the complexity. Besides providing the infrastructure, they support MVNOs with no or limited telecom expertise or those which do not wish to focus on having control over their network elements, reducing their burden by handling a broad range of services ranging from billing, network element provisioning, administration, operations, thus enabling MVNOs to focus on their core strengths of brand, customer loyalty and marketing by leaving the back-end enablement and operations to MVNEs.

Nowadays thick MVNOs can leverage their experience and commercial relationships in the telecommunications space and generate new revenue streams by becoming the MVNE partners for smaller MVNOs.

Such was the case of Malaysian Baraka Telecom, a former MVNO founded in 2008 which changed its focus towards becoming an MVNE in Asia, enabling MVNOs to go to market quickly and to launch competitive offerings cost efficiently. Keen to support MVNOs’ back-end infrastructure and operational needs, Baraka Telecom acquired network switch gateways, data core networks, prepaid billing systems, content management systems and business support systems. To encourage new entrants they also provide revenue sharing options instead of fee-based subscriptions.

Embracing a partnership with an experienced MVNE, an MVNO reduces its launch and commercial risks and also the financial, human and time resources invested for developing specific know-how. On the other hand it limits an MVNO’s flexibility and increases the complexity of its integration processes.

Besides existing MVNOs, HNOs might choose to become MVNEs themselves to support MVNOs directly from their network.

Mobile Virtual Network Enabler (MVNE) capabilities can expand over all MVNO processes, being able to offer end-to-end solutions, from BSS/OSS, customer care, marketing, broadband services and Business Intelligence. Furthermore the MVNE can provide set-up, regulatory and operational support to MVNOs.
**MVNO business models and marketing approach**

Many flavours of MVNO are possible; however each business must endeavour to come up with its own unique recipe for success.

**Discount MVNOs** – nearly a quarter of existing MVNOs have chosen the discount base MVNO model and their service offering usually includes basic voice and SMS services at lower tariffs for both prepaid and postpaid customers, adding to it the flavor of cheaper handset devices. In terms of long term sustainability this approach can prove to be unyielding.

- An example is **Virgin Mobile US** which began by targeting a largely untapped market segment in an already saturated mobile market, with six national carriers and a significant number of regional providers already operating at the end of 2001. They targeted the 15-29 year old age group which untapped due to its poor or nonexistent credit. Since its launch in 2001 Virgin Mobile US attracted more than 5 million subscribers, making it the fastest growing and the most successful MVNO in the world. Virgin Mobile was acquired by Sprint in November 2009 for nearly $500 million and continuously evolved in time. It now offers also a broad range of innovative value added services.

**Lifestyle/niche MVNOs** - Such MVNOs focus on specific niche markets, from very young demographic categories all the way to senior citizens. Pricing plans and handsets offers are adjusted to the targeted segment’s needs.

- **Youth oriented: Boost Mobile** was founded in 2002 in USA by offering two-way messaging, wireless web including mobile social networking, Java-enabled gaming capabilities and nationwide instant communications. Harnessing their compelling marketing strategy that included sponsorship of action sports events, television programs, festivals, concerts, and other youth-centric activities, Boost Mobile™ aspired to attract and dominate today’s high spending youth market. And they succeeded. They now have over 5 million subscribers.

- **Family oriented: Disney Mobile** is the perfect example of how important business strategy and approach are for MVNOs, despite existing brand and service offering. Disney Mobile was launched as a family mobile service in the
US in 2006 and it included parental control features, subscriptions to Disney content and games, and regular marketing campaigns. The project had two main purposes: to expand Disney’s consumer base to the mobile market and to provide families with a tool to manage their children's mobile usage. The MVNO suddenly ceased to exist in the US in 2007. Not a year passed before Disney decided to undertake the telecom challenge again by directing its attention towards Japan. This time they thoroughly evaluated their go to market strategy and improved it considerably. Disney teamed up with local service provider Softbank and became the country’s first MVNO offering both voice and data services. Disney strategically left back-end operations such as distribution, price planning, sales and billing to their partner and focused on enhancing their brand value and on bringing enthralling content into the partnership. Today Disney is the No. 1 mobile entertainment brand in Japan, with over 3 million paid subscriptions and has expanded its mobile business globally with main offices in Tokyo, Munich and London and content available in more than 40 countries through deals with 80 carriers and distributors.

- **Elderly oriented:** GreatCall has been targeting baby boomers and the elderly community in the US since 2006 and operates on Verizon Networks. They offer easy-to-use handsets, 24-hour Operator assistance and simple price plans. Furthermore, the Operator adapted to its target customers’ needs and now offers additional services such as check-in calls, medication reminders, liveNurse, daily health tips, Wellness calls and many more services thus boosting their popularity. Their service is now very successful in the USA.

**Media/Entertainment MVNOs** follow trends in the mobile industry, embracing content advertising on mobile phones. Such MVNOs offer free or subsidized mobile phone services to subscribers willing to view a number of targeted advertisements. Carriers, media brands and content companies are optimistic about the future of this model.

The latest trend in mobile content advertising is the use of viral marketing. Through specially designed programs users can send recommendations for mobile content they like to their contact lists. A good example for this is the Italian Passa Parola, which has reached a total of 800,000 registered users, by the use of viral marketing alone.

**The path towards MVNO success**
• **Ad-based MVNO**: Blyk is a Finnish mobile virtual network operator launched in 2007 in the UK to target the 16-24 age segment, offering its subscribers several free texts and free voice minutes to any network. To benefit from the offer, subscribers agree to receive five to ten promotional texts a day and fill out an online subscription form for profiling purposes. Additionally, Blyk enables its subscribers to top up their monthly allowance if they exceed their subscription allowance. Blyk has been very successful in Finland and the UK and is now targeting Indian young people partnering with Aircel.

**Ethnic MVNOs** target diverse ethnic groups in specific regions, looking to leverage international calls to their country of origin and ethnic community specific content. With several successful players in the market and many more appearing, forecasts are very optimistic in regards to the future of ethnic MVNOs.

• **Ethnic MVNO: LycaMobile** is a successful MVNO launched in 2006 in the Netherlands which is selling international prepaid SIM cards to people wanting to make calls abroad. It leased radio frequency from mobile phone network operators and formed partnerships in Australia, Belgium, Denmark, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and the UK. LycaMobile now has over 6 million customers and a new customer joins them every 5 seconds.

**Business-centric MVNOs** target high-usage and corporate subscribers, providing advanced services such as fax/data and group administration.

• **Abica** was launched in 2008 in the UK and targets small to medium size businesses, offering a bespoke range of business services, consumption monitoring and special tariffs for landline, mobile and data services allowing businesses to run their telecoms flexibly and efficiently. Abica’s turnover increased by 50 percent in 2009-2010 and they aim to reach $5 million by 2013.

**Brand MVNOs** leverage a strong existing consumer brand, and often a point-of-sale distribution network. The numerous supermarket MVNOs are good examples. By leveraging their brand value, their customer base and developed distribution channel, they are strong competitors for incumbents.

• **Tesco Mobile** was launched in 2003 by the dominant grocery retailer Tesco on the O2 network and it has a favorable position on the UK mobile market, being supported by a developed distribution channel and customer base.
having now over 200 in-store Tesco phone shops. Tesco is able to reward customers in many ways through branded club cards. Tesco market share continues to grow quickly, both for prepaid and post paid customer base, with now over 2.6 million subscribers, by providing Tesco shoppers with convenient access to Tesco Mobile phones, accessories, broadband services, landlines, top ups and Tesco international calling cards. Tesco’s Phone Shop network is continuously developing across Tesco’s regional footprint in Slovakia, the Czech Republic, Poland, Hungary, Turkey and South Korea.

**Data MVNOs** focus on the provision of data services, games, videos and other attractive applications to their subscribers. Juniper Research had estimated that the data revenues of MVNOs would increase from $0.5 billion in 2006 to $25.2 billion in 2012. Content providers are usually dependent on service providers for delivery and billing of their content. Also, flat data rates are still not available in many parts of the world, consequently content download might prove to be quite expensive, therefore their content providers service consumption limited. On the other hand, many operators do not charge for data download when content is being downloaded. Supported by mobile payments, an opportunity arose for content providers to overcome these barriers by becoming data MVNOs.

- **Amazon Kindle’s Whispernet** was so successful because of Amazon’s innovative plug and play approach that enabled consumers to browse their shop, download and read books without the inconvenience of getting another internet connection for the new device. The customer gets a book reader device, content and internet connection for downloading content from Amazon. In May 2011, Amazon announced that over the previous year, they had sold more Kindle books than print books.

**M2M/telemetry MVNOs** provide M2M (machine-to-machine)/telemetry services, enabling companies and consumers to enjoy new ways to manage and monitor their businesses, lives, and health. Clearly there is enormous potential considering also the hype around MHealth. M2M communications offer a plethora of opportunities to all parties involved, from product manufacturers, to HNOs, MVNOs through to end users.

- **Jasper Wireless** was founded in 2004 in California and provides the platform, applications, and design services needed to profitably connect and manage devices worldwide and today partners with prestigious top HNOs such as AT&T, Telefónica, Vimpelcom, KPN, Rogers, Telcel and Telstra.

**The path towards MVNO success**
Quad play MVNOs provide services in the four major communication areas - broadband, television, fixed and mobile telephony altogether. Quad play MVNOs seem to gain more and more ground in the telecom space as subscribers tend to prefer such integrated packages which usually prove to be more attractive in terms of bundled price.

- **PrimeTel PLC**, the first MVNO from Cyprus and the first telecommunications company in Cyprus to offer Quad-Play bundled services, is the largest private telecommunication company in Cyprus that offers quad play services. The company owns and operates a truly regional network, spanning across Cyprus, Germany, Greece, Russia and the United Kingdom, providing city-to-city connectivity, data communications and IP-based services between key European and Middle East markets. PrimeTel is one of the few telecommunications operators in the region that can provide a full spectrum of connectivity and services and is proving to be very successful.
Roaming MVNOs provide advanced lower cost roaming solutions, allowing subscribers to have multiple “virtual” local numbers and identities in different networks, thereby benefiting from local rates instead of roaming charges.

- **Truphone** is a global mobile communications provider founded in 2006, being the industry's first mobile internet operator. Truphone focused on enhancing its subscribers’ capacity to easily and affordably keep in touch with friends, family and business contacts all over the world whilst roaming. Headquartered in London and with offices in the United States, Australia, Hong Kong, the Philippines, Spain, the Netherlands and Portugal, Truphone offers a multi-country single-SIM-card service that combines local call plans, international local numbers and Truphone’s international VoIP network. Truphone is either partnering in various countries with operators to offer its service and where not possible, forms a true MVNO relationship with local operators, in which Truphone becomes the service provider of choice.
The path towards MVNO success

MVNO strategic planning

Further to identifying the most suitable business and operational model, aspirants must thoroughly analyze and find pragmatic answers to countless business issues and challenges, both before and after launch whilst the business and customer bases are growing.

Up-front challenges

Even though the regulatory environment is increasingly favourable from the strategic point of view, MVNOs are quite vulnerable because they are late entrants in an oversaturated market and small niche players in comparison to incumbents. The list of failed MVNOs is long, demonstrating how challenging and difficult it can be to create a viable MVNO business model.

MVNOs must strive and be ingenious enough to choose and exploit carefully chosen niches. On the other hand, if the chosen segments prove to be profitable enough, the host HNO is very well positioned to retaliate with its own competitive offer and cannibalize the MVNO’s pilot market segment. This reinforces the statement that the most successful MVNO formulas are based on a strong existing brand and a compelling business strategy and not simply a low price offering strategy.
Even with a strong brand and a targeted business model, success for the MVNO is not automatic. As mentioned whilst discussing about MVNO business models, Disney shut down the US MVNO after less than a year of operations, however its second attempt from Japan proved to be very successful. This suggests that customers seek to see real value, not just brand recognition.

By correctly leveraging existing brand, customer base and distribution infrastructure and choosing the right partners the level of success can be impressive as in the case of Virgin Mobile UK, which already outperformed its HNO.

Despite the attractiveness of the mobile industry, MVNOs are exposed to many risks and challenges even before launching their services. Addressing these challenges discourages and can dissuade most outsiders from entering the mobile arena. This includes managing a broad area of relationships and alliances and evaluate most suitable partners and commercial arrangements. Also, they have to deal with unfavourable wholesale agreements and restrictions, network leasing terms, handset vendors relationships, high costs for network usage, uncontrollable QOS, difficulties in channel development and many more difficulties.

From a process perspective, the MVNO starts with a network leasing agreement with one or more HNOs and then continues with challenging back-office systems and integration selection process. The MVNO must then design offers and service bundles, develop user interfaces, select handsets and then pass to developing or enhancing their brand and distribution channel. These are only the main steps MVNOs follow on their path from concept to real life and each of these steps has potential obstacles or limiting partnership dependencies.

For the operational part, MVNOs need to partner with individual back office systems/process providers, MVNEs, mobile data platform providers, content providers and handset manufacturers to profitably deliver a differentiated value proposition to their target segments.

In terms of entry barriers, the lack of wireless skills and expertise is key to success. New entrants lack the experience needed to guide them through the different steps of the wireless service delivery chain. MVNOs must focus on combining internal resources, skills and business strengths with those of best-of-breed partners to overcome all known and unknown challenges and risks.
Challenges whilst growing

Economies of scale characteristic to wireless business models represent another great challenge for all MVNOs. Put simply, this means that the business becomes competitive in terms of costs after it expands by decreasing the total cost per unit.

Even after the MVNO becomes a success, however, further challenges appear due to high peak funding as the investments needed after turning cash flow positive remain high.

After MVNO launch, employees have to execute, coordinate, keep track of and monitor the progress and risks of hundreds of interdependent milestones across each level of the wireless service delivery chain. MVNOs that fail to do this in the launch phase could end up suffering from long delays or developing a value proposition that is not differentiated enough to attract customers in their target segments.
Cannibalization. Reality or just a myth?

There is a lot of hype around the MVNO threat for incumbents. There are plenty of reasons why HNOs should not consider themselves attacked by newcomers and all MVNOs negotiating with their chosen HNO should be aware of these aspects.

In fact, MVNOs do provide various economic benefits to HNOs as they increase their market share by addressing untargeted or poorly targeted market segments. However hard their marketing department tries, HNOs still struggle to cover all market segments and cannot experiment as they might like with myriads of campaigns without cannibalising other profitable packages or customer segments. Basically, if an Operator is reluctant about embracing MVNO opportunities, their competitors will surely welcome them and their churners will end up in their competitors’ customer bases as new acquisitions.

On the other hand, as previously mentioned, enhanced service providers and full MVNOs can become serious competitors for HNOs, as they have complete control over their business and easily adapt and address their targeted niches’ specific needs. The HNO is still in a favourable position in terms of market penetration and expansion, network utilization, lower operation costs due to higher economies of scale and generation of additional revenues through wholesale volumes.

Due to HNOs having expensive license, network construction and high marketing costs they are keen on filling their network with traffic. MVNOs are a good opportunity to broaden their customer base with segments that are very hard to target by the HNO at zero acquisition cost.

If the MVNO has a strong business case it shouldn’t be difficult to prove the real opportunity that can emerge from their partnership to the HNO. Based on a straightforward business case the HNO and MVNO together can create new revenue streams, address new customer segments whilst reducing their marketing costs, increase customer retention by augmented customer satisfaction in the targeted segments and enhance their product offering by creating valuable partnerships with content or VAS providers.
Business strategy – the recipe for success

Before launching, MVNOs must consider that they will have to be in the business for at least one year before they break even. MVNO launch is usually preceded by six months to one year of start-up costs. Furthermore, they have to consider the post-launch subscriber acquisition costs which vary from country to country, from €65 for a low-end pre-paid offer to over €360 for a high-end post-paid service. These costs can delay an MVNO’s EBITDA breakeven and require considerable investment (counted in millions) in funding.

MVNOs need to have a worthy story, a source of differentiation and they must strive to secure a network deal at an attractive wholesale rate by presenting a compelling business plan to the HNO, mutually beneficial for both of them. Furthermore, they should carefully select their vendors and think of a flexible business model that would enable them to keep pace with the rapidly changing mobile industry. Additionally, they need to have a clear technology roadmap and be prepared for the transition from 2G through 3G to 4G and focus on following current trends, keeping pace with technology developments and anticipating future trends.

Most analysts agree that key success factors for MVNOs to keep debt and costs low are to have staff that understand the whole end-to-end process of mobile service delivery or work closely with highly experienced partners. Only the larger and stronger MVNO models are robust enough to justify the significant infrastructure investment of the MVNO.

The path towards MVNO success
Key success factors – Keep things simple

There are several steps to follow that might increase MVNOs’ chances of success:

- Build a pragmatic and competitive business plan and choose the revenue stream sources (call charges, data usage, applications, advertising, bundling or other service)
- Build an attractive business case for the HNO of choice
- Evaluate the current value of the brand (in case of existing brands) and focus on enhancing it and on finding means to transpose it into new markets
- Choose business executives with strong skills and deep insight into wireless economics, technology and competitors
- Assess the value of your existing customer base and choose the targeted niches carefully based on the segments you already cover and strive to get further insight into these segments in order to be able to differentiate with tailor-made services
- Reduce the costs that put too much pressure on margins such as expensive buildings, excessive headcounts, acquisition of systems not really required by the present business model
- Build a compelling go-to-market strategy, assess the value of your existing distribution channel for the go-to-market strategy and find the means to diversify and widen it, adapting it to your target customers
- Prepare for Convergence and the Triple Play Market
- Prepare a roadmap for the innovative services you would like to bring to the market in the coming years and continuously follow and evaluate the latest industry’s trends
- Create an innovative and attractive mix of products and services or embrace a multi-brand concept-tailored offer supported by an adequate infrastructure in affordable price ranges
- Carefully design your business infrastructure:
  - HNO of choice based on careful and empirical evaluation.
  - Distribution channel enhancement strategy to support logistics, enabling faster time-to-market
  - Technical infrastructure, from core network systems, SDP through to best-of-breed solutions for BSS/OSS from messaging, voice, data session control, voucher management, real time rating and charging, provisioning, order management, CRM and analytics
  - Best-of-breed partners for content, distribution, devices, applications and prepare a mutual beneficial use cases before starting to negotiate with each of them
Adding innovation by embracing the social media opportunity and making it an active part of the marketing strategy

The phenomenal success of social media has changed the way people communicate forever and forced service providers to reconsider their place and position in the new, transformed market. Besides being a tool for social interaction, the social networks can offer MVNOs amazing opportunities to exploit social communication by empowering dynamic viral marketing. At the loosest end of integration, social media can become another distinct, highly valuable marketing channel, promoting the telecom brand in the same way as any other non-telecom product. A deeper level of integration between social networks and the mobile network can link the all-pervasive social network with the all-pervasive mobile network to create a mobile network that is socially connected.

The benefits of converging communication services with social networks by integrating in real time with OSS/BSS elements like Billing, Customer Care or Business Intelligence are multifarious. The MVNO can:

- Enjoy a user-friendly, non-technical and cost efficient tool that enables marketing professionals to unleash their creativity and experiment as many campaigns as one can think of
- Enhance up-selling opportunities - by leveraging the great wealth of profiling resources made available by the social networks. MVNOs can provide customer with personalized services or products available in its friendly Facebook interface, but chargeable on their mobile account (e.g. ring back tone, ring tones, data bundles, etc.)
- Allow subscribers to enjoy enhanced customer care functionalities which are usually available only in the mobile environment, through a new, real-time and efficient channel
- Reactivate dormant customers by keeping them informed of recent promotional activities within a friendly interface even if they did not use the service recently
Regulatory position

Different countries have different legislation related to MVNOs. Several countries force HNOs to share their network with MVNOs, such as Hong Kong where 40% of Operators’ network capacity has to be dedicated to MVNOs and the pricing model has to be uniform regardless of MVNO. Other countries, especially in Western Europe and Australia, facilitate the launch of MVNOs and the legislation makes it mandatory to HNOs with significant market share to share their network with MVNOs. There are countries indifferent to MVNOs, such as Japan, Canada and Austria where there are no requirements to open networks to MVNOs. Some discourage the launch of MVNOs, mostly in South America, with many HNOs’ licenses granted and stringent obligations to HNOs. Finally, some countries prohibit MVNOs.

Operators which are forced to share their network with MVNOs tend to delay newcomers, making entry barriers high enough to intimidate them. Even in countries with very permissive legislation, if the number of incumbents is limited, HNOs tend to hold back MVNOs, forcing them to start their business with a complex operation model, which might prove to be too expensive to hold them back. For example, in some countries new entrants might be forced by HNOs to start as full infrastructure MVNOs, making the total start-up cost high enough to dissuade them.

In an effort to limit MVNO access, HNOs might choose to cover only the radio spectrum, the GMSC and the GGSN. These are only isolated cases as HNOs seem to be increasingly aware of MVNOs’ beneficial effect upon their growth.

The path towards MVNO success
**Next generation MVNO – online convergent charging is the key to success**

Trying to learn from traditional MVNOs’ failures and drawbacks such as rigid wholesale contracts, lean staffing structures, uninspired selection of distribution channels and partners, lack of differentiators in terms of product offerings and limited scalability, next generation MVNOs are changing their focus from price competition and brand recognition towards innovative, targeted and higher-value services.

If ten years ago MVNOs offered simple discounted prepaid voice and SMS services acting only as resellers, next generation MVNOs have control over all business functions and processes except radio access, being able to offer sophisticated voice and data services and differentiate on services, innovations, data offerings and customer care.

Service providers and enhanced service provider MVNOs operate their own billing systems, an important differentiation tool which allow them to structure their products and tariffs independently of the host operator’s technical capability and launch new, innovative offers with a very fast time to market. Even if a given MVNO currently only targets prepaid subscribers, he should nevertheless consider implementing the online convergent charging system if the additional cost of ownership of the post paid feature is low.

Viewed another way, a business-centric MVNO with a postpaid-only strategy could benefit of the convergence by service functionalities – the prepaid account for private calls, or for data services in order to impose simple cost control and spending caps.
The benefits of convergence

- Integrated marketing approach and reduced churn as a convergent billing system enable MVNOs to address each customer with the appropriate loyalty promotion in accordance to personal usage patterns.
- Increased customer satisfaction and business transparency by having one single bill and financial balance per customer for all services: voice, data and VAS in case of family or business plans. This will enable subscribers to control the costs for the services they use and give the operator an overview of their subscriber.
- Reduced operational costs due to the implementation of a single platform provided by a single supplier.
- Opportunity to embrace FMC (Fixed-Mobile Convergence), which is very appealing to business customers.
- Increased customer acquisition based on the flexibility of a convergent billing platform that enable MVNOs to easily add attractive features or to launch fashionable services with a very fast time to market, remaining ahead of the competition.

Prepaid only - Could this work?

There are many reasons why MVNOs would chose to adopt a prepaid only tariff plan. The HNO find this model attractive as the MVNO will not be able to transform into a serious competitor and cannibalize his customers, the time to market is faster, the cash flow is much better, but the ARPU is lower, there are no credit collection burdens, no billing costs and low transactions costs.

On the other hand the downsides of this business model are not negligible: the overall customer database value is lower, the churn and the distribution channel costs are high, it is almost impossible to stay ahead of the competition by preemptive launch of innovative services such as content, data and other VASs.

Therefore, triple play and convergence are options all MVNOs should take into consideration as a main ingredient for the success in the future.
Computaris in the MVNO landscape

Based on two decades of expertise in the telecommunications industry with top BSS/OSS products, Computaris built a flexible MVNO in a White Box Solution that incorporates best-of-breed components for messaging, voice and data session control, voucher management, real time rating and charging smoothly integrated with proven open source business logics such as provisioning, order management, analytics and CRM.

Computaris’ solution is tailored to suit all MVNO’s business expectations. It encompasses all services and functionalities required for achieving business goals, making MVNOs accessible to a much broader group of companies and brands and attractive to Mobile Network Operators (MNOs).

Computaris’ modular and extendable solution gives MVNOs complete control over their business and service offering, enabling them to define innovative pricing models plans and complex tariff models, to rapidly and cost efficiently create unique offers to target underserved niches, to easily orchestrate loyalty campaigns and manage churners, enabling them to differentiate by easily launching new services with a fast time to market and a low total cost of ownership.

The path towards MVNO success
Conclusion

The world of communication is evolving faster than ever before and the MVNO environment is still very active. But traditional services such as voice and messaging remain stubbornly unchanged compared with a decade ago. While incumbents usually focus on covering mass segments, there is a great opportunity for MVNOs to offer differentiated, compelling services to untapped niches. The market is more mature and new comers can benefit of the great wealth of information, following the “survivors” business models and learning from the mistakes of the defeated ones. In spite of all the challenges, the MVNO is still an attractive business model as the revenue potential is high, churn rates are increasing, broadband service and application demand is growing fast and demand for value added services is also on the rise.

As the number of MVNOs increases, concerns are growing too. Some fear that excess competition can lead to price commoditization and low revenue potential in years to come. Of course, not everybody will survive this struggle and individual performance will vary, but this is the path towards a healthier telecommunications industry. Even if the Reseller MVNO and Service provider MVNO still dominate the MVNO market, the full infrastructure MVNO has the highest chances for long term business sustainability, as it is in control of all its business processes and owns its customer base. MVNOs based on low-cost prepaid voice might disappear, or struggle to survive, as triple play, 3G, data services, instant messaging and VoIP enter the mainstream.

To be successful, MVNOs must strive to differentiate and in order to do so they must select the most appropriate partners for their business model and arm themselves with flexible service creation and online charging; they must seek to create the perfect mix of products and services for their target audience and have an appropriate infrastructure for success.